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LONDON

Doubts on
Opec fail
to depress
tanker sinks
off Iceland

SMALL GAINS were made yesterday despite doubts raised over the Opec price freeze in the face of record energy issues over the weekend. Monday's gain of 5% by the FTSE 100 index closed at 1,171, up 1.6% on the day. Among lower oils, British Cypriot tanker sank at 1,039, but BP managed to rise against the rest of the sector. British Gas

Government bonds may affect denied

AN anonymous caller claiming to represent the pro-Iranian "Iranian Jihad group" denied to *Business News* agency that it was responsible for the attempted hijacking of an Iraqi aircraft over Saudi Arabia, a result of which 60 people died.

IN the Gulf War, Iran said to be following the same policy as Iraq in the wake of Operation Desert Shield. Saudi Arabia has responded to the two days of fierce fighting at Ctesiphon and Shell Gasoline, Page 2.

Boeing blamed

MARITIME firmman says the US has been named as defendant in Japanese Air Lines Boeing 747 crash, while naming himself as a result of the accident. Back Page

Montreal most secur

SINGAPORE
Political Moscow City leader Boris Yeltsin attacked the Communist Party's Komsomol youth wing and has left Singapore, calling for introduction of reforms. Back Page 2

dry reds

AMERICA's Davies DBS and Soviet leader Mikhail Gorbachev's campaign to cut alcohol sales to \$1.95. Other actions included a 20% cut in alcohol sales in the US, while among miners last year in which 520 people died. Back Page 11

by-election test

THE outcome of a by-election in Greenwich, following the sudden death of Labour MP Guy Street, could influence the choice of date for the general election. Page 5

maternity leave rejected

THE Treasury has rejected a claim for paid maternity leave for civil servants, saying it would cost too much and most employers do not provide it. Page 5

home price gap widens

THE North-South gap in house prices widened in 1986, the Halifax Building Society said. Prices rose less than 10 per cent in the North, and more than 20% in the South East.

64 Turks jailed

THE trial of 1,478 Turkish trade unionists arrested after the 1980 military takeover has ended with 264 of them jailed and their confederation banned. Page 2

Egypt militants clash

Police arrested 111 people during street clashes with Moslem militants in Assuit, central Egypt, demanding implementation of Islamic law. Page 5

Iokassa trial prolonged

THE trial of former Central African Emperor Jean-Bedel Bokassa, due to end today, is to be extended until March 27. He faces charges ranging from fraud to cannibalism. Page 3

Iana looks down under

Czech tennis player Hana Mandikova, married to a Czech-born Australian, is seeking Australian citizenship, a Brisbane newspaper said.

Funk route

TO the elephant, pulling Santa Claus through Eastbourne, in two cars with her sleigh before dragging it to the front door of the hotel which had fired her. Page 8

MARKETS

DOLLAR
New York lunchtime: DM 1.98075
FFr 6.4773
SFr 1.0325
Y159.7

London: DM 1.9885 (1.9655)
FFr 6.49 (6.47)
SFr 1.0495 (1.0405)
Y161.95 (162.65)

Dollar Index 109.6 (same)
Tokyo close: Y160.50

US LUNCHTIME RATES

Ted Funds 6.1%
1-month Treasury Bills: yield: 5.7%
Long Bond: 10.1%
yield: 7.52%
(YLD)

London: \$380.575 (\$388.25)

Chart price changes Wednesday, Back Page

CONTINENTAL SELLING PRICES: Austria: Lsh 29; Belgium: Bfr 45; Denmark: Kr 8; France: FFr 1.20; Germany DM 2.20; Ireland: Gp 1.50; Malta: 30c; Netherlands: Fl 2.75; Norway: Nkr 7.00; Portugal: Esc 50; Spain: Pta 125; Sweden: Kr 7.00; Switzerland: SFr 2.25

BUSINESS SUMMARY

**Tokyo
expects
3.5% growth**

THE Japanese Government is expecting the country's economic growth to be about 3.5 per cent in real terms in the fiscal year from April 1, despite present sluggishness.

The forecast, by the Economic Planning Agency, is out of step with those of most private sector bodies which predict growth of less than 3 per cent. Page 2

ECONOMIC forecasters are more pessimistic than Nigel Lawson, the Chancellor, about the UK current account deficit and inflation, a Treasury analysis shows. Back Page

EQUITIES strengthened on Christmas Eve in the wake of gains in the gilt-edged markets. The FT Ordinary Share Index

Page 2. Share values

CANADA

ENERGY issues traded

in the Gulf War, Iran said

to following the same policy as

Iraq in the wake of Operation

Desert Shield. Saudi Arabia

has responded to the

US by cutting its oil exports

to the US. Back Page

CHINA

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Desert Shield. Saudi Arabia

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US by cutting its oil exports

to the US. Back Page

US moves towards ban

on foreign phone-makers

BY TERRY DODSWORTH

THE US telecommunication authorities have taken a further step in their campaign against protectionism moves in western Europe. They have initiated action to bar the sale in the US of telephone equipment from countries which discriminate against US products.

The Federal Communications Commission, the US regulatory body, is to start an inquiry into how to operate a blockade against foreign suppliers. Regulations to allow the commission to act against them are expected to follow, although this might take months.

The FCC's action, initially aimed at Siemens of West Germany, is widely seen in the telecommunication industry as further evidence of growing friction over the international telephone equipment trade.

This stems mainly from the varying pace of moves towards deregulation of telecommunications

in the industrialised

world. Some markets are still

closed to foreign competition

but others, particularly

that of the US, are more open

to newcomers from overseas.

Conflict between the US

authorities and West Germany

has arisen over plans by

companies from both countries

to buy into the telecommunications market in France by

taking over CGCT, the state-

owned French manufacturer of

switching equipment.

According to the commission,

a joint approach for CGCT by

American Telephone and

Telegraph (AT&T), and Philips of

the Netherlands, was effectively

blocked by a counter-proposal of

Siemens to buy the French com-

pany. The West German Gov-

ernment has been accused of

trying to force French accept-

ance of the offer from Siemens

by threatening to undermine a

proposed merger of the French

state-owned CGCT group and

Continued on Back Page

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CH

Authorities step in to bolster French franc

BY PAUL BETTS IN PARIS

THE FRENCH monetary authorities intervened yesterday to support the franc against the West German D-mark. The French currency continued to come under pressure as a result of concern over the nine-day-old rail strike and speculation about a new realignment of the European Monetary System after the German elections next month.

The franc was also hit by a decline in the US dollar and a rise in the D-mark.

In thin interbank holiday trading, the franc fell to FF 3.30 to the D-mark in Paris yesterday from FF 2.2883 when last quoted last Tuesday. This leaves the franc close to its lower limit in the EMS of FF 3.3033 to the D-mark. It is also the lowest level to which the franc has fallen against the D-mark since the last EMS realignment last April.

French dealers said that the monetary authorities intervened yesterday to support the French currency by selling D-marks, although the amounts were small because of the thinness of the market. They also suggested that the franc was coming under additional pressure against the West German currency because of the widening differential in interest rates between the two countries.

The consumer price differential between France and West Germany has also been widening since last September. Although the latest consumer price figures, published on Christmas Eve, show the annual rate of retail inflation in France held down to 2.1 per cent last month, the differential with West Germany grew to 3.2 per cent at the end of last month.

Paris steps up efforts to free Lebanon hostages

BY PAUL BETTS

THE French Government is pursuing "with tenacity" its efforts to free the remaining five French hostages held in the Lebanon. Mr Jacques Chirac, the conservative Prime Minister, said after the release on Christmas Eve of a French television-sound operator held by Moslem extremists in the Lebanon for 292 days.

In spite of the freeing of Mr Aurel Corne in last Wednesday, the French authorities appeared disappointed that the extremists did not free a second hostage for Christmas.

Mr Corne had been held by the so-called "Organisation of Revolutionary Justice" movement together with Mr Jean-Louis Normandin, member of the same Antenne-2 French television team as Mr Corne.

Two other members of the same television crew kidnapped by the extremists had been freed this year.

Mr Corne on his return to France said he hoped Mr Nor-

Licensing of journalists 'a threat to freedom'

BY RAYMOND SNODDY

A TREND towards the licensing of journalists in both established democracies and developing countries is a threat to freedom of expression, the International Press Institute says in its annual World Press Freedom Review.

Some journalists see licensing, for which higher educational qualifications are often a prerequisite, as a good way of raising professional standards. But the Swiss-based institute argues: "The result of such a system is a restricted number of people who can practice freedom of expression, a right which cannot be extended to just a privileged few."

Many of the world's great journalists did not graduate from journalism schools, the institute argues. Journalism, it adds, should be open to both amateurs and professionals.

"The licensing of journalists is just one play to erode free-

Tokyo looks for 3 1/2% growth in real terms

BY IAN RODGER IN TOKYO

THE Japanese Government is looking for economic growth of about 3.5 per cent in real terms in the fiscal year to begin on April 1 1987, despite the current sluggishness of the economy.

The forecast, presented by the official Economic Planning Agency (EPA), is significantly out of step with most private sector forecasts which predict growth of less than 3 per cent next year. The EPA, which had forecast growth of 4 per cent this year, recently admitted that the rate would be nearer 3 per cent.

It also appears out of step with the Government's budgetary policy. The 1987-88 budget, proposed by the Finance Ministry on Thursday would virtually freeze general spending next year at Yen 101bn (£230bn).

The austerity budget came only a day after the ruling Liberal Democratic Party had agreed on a tax reform programme that would be neutral in revenue terms next year.

Many analysts, both within and outside the Government, had hoped that tax reform could be implemented in such a way as to provide a stimulus to the economy next year, but that option has apparently been abandoned by the Government.

These decisions have left many wondering from where any stimulus for the economy will come next year.

The EPA said the economy would begin to recover in the second half of next year based on domestic demand.

Current account surplus up

BY OUR TOKYO STAFF

JAPAN'S current account surplus in November reached \$8.1bn (£5.7bn) due to a steady increase in the value of exports. The surplus was the third largest on record, but was down slightly from the \$8.3bn recorded in October.

But the long-term capital account deficit was \$13.5bn, the second highest ever, as Japanese investors continued to place their surplus funds overseas in search of higher yields than those available in Japan. The net outflow of Japanese capital reached \$11.4bn, and that of foreign capital \$2.4bn.

The visible trade surplus was \$8.5bn compared with \$8.7bn in October. Exports rose in value to \$16.6bn, 8.1 per cent higher than in November 1985, while imports plunged 19 per cent to \$8.1bn because of the decline in oil prices. However, in volume terms, exports were down 7.7 per cent while imports gained 7 per cent.

The invisible trade account was \$276m in deficit.

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dom under the guise of improved standards," the annual review says. The practice, it adds, is found in countries as different as Costa Rica and the UK.

In Costa Rica the courts ruled that Mr Stephen Schmidt should cease to practise journalism because he did not belong to the journalists' collegiate body. The Inter-American Court of Human Rights, however, declared that licensing breaks international conventions because it denies people full access to the media.

In Britain, the institute notes, the National Union of Journalists operates a closed-shop policy in the majority of publications and broadcasting organisations.

"Ideally, everyone should be given unrestricted access to the media, both to impart information and receive it."

Andrew Gowers

reports on a star whose voice knows no boundaries

ever she performs—from Boston to Baghdad—she attracts capacity audiences and adulation. She has been feted by kings and presidents, from Hassan of Morocco to Hussein of Jordan. Her stature is sometimes compared with that of Umm Kalthoum, the legendary late Egyptian singer who used to send audiences into frenzy with her lengthy and hypnotic performances—although Fairuz herself resists attempts to bracket her music with that of other Middle Eastern singers, saying that it has absorbed a bewildering variety of influences including Indian and Western.

Fairuz has a problem, of which her London performances are a vivid illustration. Where-

Iran claims 3,000 Iraqis killed

BY OUR MIDDLE EAST STAFF

IRAN CLAIMED it killed 3,000 Iraqi troops in an assault on southern Iraq which Baghdad said was repelled after two days of fierce fighting.

Both sides issued conflicting reports yesterday about the battle around four islands in the strategically important Shatt al-Arab waterway.

Tehran Radio claimed that hundreds of Iraqi tanks and armoured cars were destroyed in the assault launched late on Wednesday.

The Iraqi high command said the Iranians had been driven off the island of Umm al-Rassas which they had occupied at the beginning of the offensive.

President Ali Khamenei, speaking at Tehran's mass Friday prayer meeting, described the operation as "small and limited."

A spokesman for Tehran's War Information Headquarters, quoted by the national news agency Ira, said Iranian forces had returned to base after achieving their objectives.

He described as "pure fabrication" reports from Baghdad that Iranian forces initially occupied Iraqi territory on the

Sixty-two people were killed when an Iraqi airliner crashed in Saudi Arabia after a mid-air battle between hijackers and airline security men, Our Middle East Staff reports.

Two would-be hijackers were killed by the sky marshals after they threw grenades, one of which exploded, according to the Iraqi news agency.

The Saudis reported yesterday that 44 people survived when the Boeing 737 came down in flames 800 yards from a runway in Arar, near the Saudi-Iraq border.

The report said one of the hijackers had thrown a grenade into the aircraft rear seats which failed to explode and security men immediately killed him. The other hijacker threw a grenade at the cockpit which started a fire.

He was killed as the pilot took the aircraft down to try for an emergency landing.

Iran has been locked in war for six years.

The attempt to seize the

airliners, bound for Amman in Jordan, came 55 minutes after take-off from Baghdad, the Iraq news agency reported.

It said the "Iranian agents" who held Lebanese

passports had boarded the

aircraft from the transit

lounge arriving in Baghdad

from Yugoslavia.

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Diplomats in the region say

Iran has massed up to 600,000

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possibly using the captured

Iraqi port of Faw as one spring-

board. Iran took the disputed

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Iranian leaders are waiting for the right

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Insurers spend £90m more on shopping centres

BY PAUL CHERBERG, PROPERTY CORRESPONDENT

ARGENTINA Royal Exchange of the shops have been taken up.

In further retail developments, the Commission for New Towns said that it was selling shops in the centre of Basildon to Tops Estates for £15m. This is one of the biggest recent sales by the commission, which is charged by the Government to dispose of public assets in the English new towns.

Pearl Assurance, a British pioneer of shopping on the edges of towns, said it had been selected to partner Bassetell District Council in a £25m plan to develop 140,000 sq ft of retail and 80,000 sq ft of leisure space on a 16-acre site in Basildon.

The Government has announced that it had won planning consent for a 150,000 sq ft centre at Putney in south-west London that would have a value of £35m. It also disclosed that, in the west of England, North Devon District Council had decided to make compulsory purchase orders so that the insurance group could assemble the necessary land for a 100,000 sq ft shopping centre in Barnstaple.

Pearl Assurance has signed contracts to provide £35m of the funding for Heron Property's 325,000 sq ft centre at Walthamstow in east London. Heron has already spent £8m on the scheme and leases on most

Ian Hamilton Fazey reports on an initiative designed to rejuvenate a community's economy

Halifax spearheads the fight against northern decline

MR STEPHEN O'BRIEN, chief executive of Business in the Community, is taking an unusual three-week holiday.

Not for him the Alpine ski slopes or a flight to the sun. Instead he has opted for a businessman's holiday in a cottage in the Yorkshire Pennines.

Mr O'Brien will be getting to know the borough of Calderdale — particularly of Halifax where 82,000 of Calderdale's 125,000 people live.

The metropolitan borough is the fifth smallest in England and Wales by population, but the sixth largest by area.

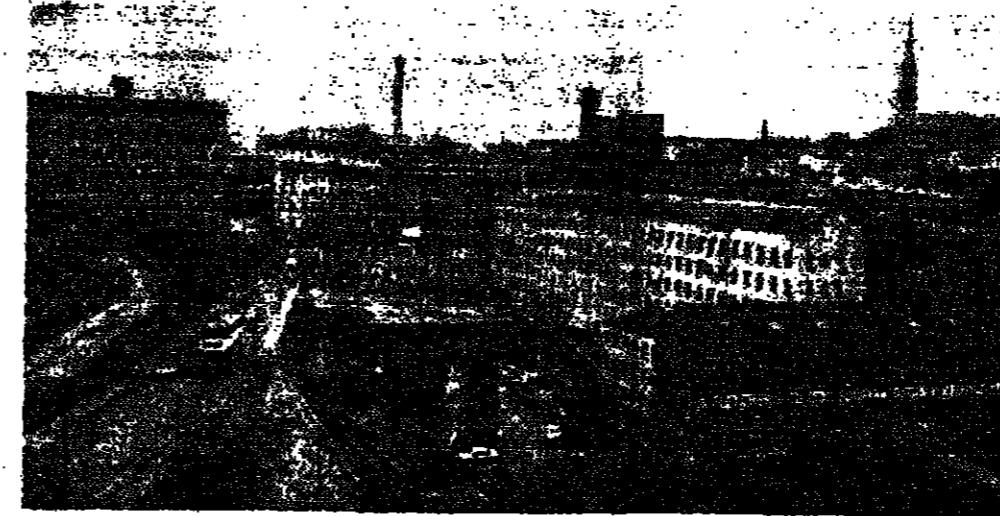
Halifax — famous for Crossley Carpets and the eponymous building society — is hemmed in by moorland hills. The rest of the borough comprises a few smaller communities scattered over thousands of acres, where sheep are the most obvious form of life.

The town is to spearhead a scheme launched by Prince Charles, who named it as the site of Britain's first "one-town partnership," a process where the whole community — public and private sectors, voluntary organisations and the ordinary citizens — will set together to try to regenerate the local

environment.

One of the cases it will have to consider is a 500-acre scheme on 260m acres near the M25 at Wraybury, Berkshire, proposed by A&K Properties. The company has appealed for a decision into the Department of Environment.

Pearl Assurance is president of



Dean Clough Industrial Park: a business community in its own right

By taking his holiday in Halifax, Mr O'Brien will ensure that, for him, the town will not be merely a place on the map in BIC's London headquarters.

Halifax was chosen because it has already developed all the components expected to make the model work.

Unanimity appears to be the

starting point. The day after Prince Charles announced the experiment, all interested parties met to discuss how best to proceed. A steering group will

draw up a strategy document over the next two months.

Mr O'Brien says there was a

good response from the political

parties. They all said that the

project was too important to be

interfered with by party

politics — even in a general election year.

The meeting was held in Dean

Clough Industrial Park, where

the Royal College of Music in

Manchester, worked his way up

to control his own textile mill

when he found he could not

make a full-time living as a

concert pianist, and made a

fortune in the 1960s after a

reverse takeover of Leigh Mills.

At 56, he still has a large finan-

cial interest in the Mountleigh

Building Society and Rowntree

Mackintosh. The director of

the local enterprise agency is from

Rowntree while the Halifax — a

founder subscriber to BIC —

gives secondments to community

projects.

60 per cent of the space is occupied.

There are more than 160 tenants, 1,200 people work there, car parks are full and everywhere there is bustle. New premises are being partitioned in the remaining empty space.

The mixture of businesses ranges from a Sun Alliance computer software subsidiary to an architect. Dean Clough is also home for the chamber of commerce, the local enterprise agency and an innovation centre. It is a business community in its own right.

But the industrial park is not the only reason for choosing Halifax for the regenerative experiment. It is a manifestation of the attitudes and atmosphere in the town, which show an urge to break out of the unemployment spiral.

At 12.7 per cent this is below the national average, whereas the rate was once above it. But unemployment used to be under 2 per cent and there is a drive to get back to that figure.

Mr Michael Ellison, the borough's chief executive, said: "We have demonstrated already the extent to which we are willing and able to work with the private sector, and the private sector has shown its

strategy document for the one-town partnership would, Mr Ellison says, embrace the town's "inheritance project" in which its splended Victorian architecture has been cleaned, restored and is being copied by modern shop owners, and also

UK 2000, the national environmental improvement scheme, by Virgin's Mr Richard Branson, and of which Mr Hall is vice-chairman.

But anyone used to the struggle against northern decline will view the document as almost a formality. Halifax's regeneration has already begun.

C. E. Heath's chairman to resign next week

FINANCIAL TIMES REPORTER

MR DEREK NEWTON is to resign next week as chairman of C. E. Heath, the troubled insurance broking firm, the company announced on Wednesday.

He will be succeeded on January 1 by Mr Richard Fielding, who became chief executive of the company after its merger with Fielding Insurance last month.

Mr Newton, who has worked for Heath for nearly 30 years, said on Wednesday that "with the recent management restruc-

ture, I believe that shareholders' interests are best served by my making room for the new management."

In recent months C. E. Heath has suffered a series of staff losses, the most serious ten days ago when 26 senior staff left to join Citicorp Insurance Brokers.

C. E. Heath also defended a hostile takeover bid from PWS Holdings before succumbing to a friendly approach from Fielding, the management of which has assumed the dominant role in the newly merged firm.

Mr Newton, who has worked for Heath for nearly 30 years, said on Wednesday that "with the recent management restruc-

Thorn EMI to set up direct-mail marketing company aimed at rental customers

THORN EMI, the UK consumer electronics group, is to establish a direct-mail marketing company which will offer goods to customers of its large rental business in the high street, writes David Thomas.

C. E. Heath also defended a hostile takeover bid from PWS Holdings before succumbing to a friendly approach from Fielding, the management of which has assumed the dominant role in the newly merged firm.

Thorn EMI intends to use its direct-mail operations so as to offer goods made by other companies to its customers. This is an unusual move for a high

street business, though many from a re-assessment during the past 12 months of the potential of its high street rental operations, which have 3.5m customers at chains such as Radio Rentals and DER.

Thorn EMI's initiative is likely to enhance further the growth of direct mail. This is already the most rapidly expanding form of advertising in the country, and is already worth more than expenditure on posters, radio and cinema put together, according to Post Office figures.

"We have their names and addresses, demographic and

other details about them, and our staff call on them in their homes," he said.

"Knowledge like this about 3.5m customers is a tremendous asset," Mr Barnes added.

Among the things which Thorn-EMI is thinking of selling by direct mail are white goods and financial services.

"We know that people replace their fridges every seven years on average, so we could directly market fridges

which we sell in Rumbelows [Thorn-EMI's retail chain]," Mr Barnes said.

Thorn-EMI is also looking for deals with other companies in order to sell their goods by direct mail to its customers.

Thorn-EMI has already recruited some people from direct marketing companies and is hoping to launch its own direct mail operations next year.

Mr Barnes said that, once Thorn-EMI's direct-mail team mail

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TELEPHONE (0276) 681661

Kevin Brown assesses the progress—expected to accelerate soon—of the privatisation of NBC's subsidiaries

Bigger round of bus company sales expected next year

MR RODNEY LUND, chairman of the National Bus Company, would be the last person to deny that the privatisation of Britain's biggest bus undertaking has had a slow start.

Only 12 of the subsidiaries have been sold in the first 10 months of the programme, and there has been widespread muttering of "told you so" in the City.

The speed has quickened in recent weeks, however, and all the indications are that Mr Lund is preparing to move rapidly into top gear.

Mr Lund leads 120 staff at NBC's headquarters in London, whose sole purpose is to negotiate themselves out of a job. It could easily be a soul-destroying operation.

Most of the staff, though, will move into jobs with privatised subsidiaries. Mr Lund, at least, approaches his salesman's task with obvious relish.

He was brought from the board of Woolworth Holdings after Mr Robert Brook, the previous chairman of NBC, had quit in protest at the Government's insistence on selling the company piecemeal.

Mr Brook, now hatching plans for a big midtown operation in Manchester, made no secret of his disappointment when Mr Nicholas Ridley, former Transport Secretary, turned down his

plans for a management buy-out of the whole company.

This was a brave move by Mr Ridley in that the price tag for an entire NBC would have been between £200m and £250m.

Analysts estimate the likely return to the Treasury from the separate sales of the subsidiaries at about £100m. So Mr Ridley's enthusiasm for competition may cost the taxpayer up to £150m.

NBC reported a net loss of £83.1m last year, compared with a profit of £22.1m in 1984, as a result of what Mr Lund called "setting out the stall for privatisation."

This took the form of a series of extraordinary charges totalling £102.7m, to cover tax and pension liabilities and closure costs.

The net assets of the company were then about £155m, but the introduction of bus deregulation in October required this to be written down to about £100m because of the impact on the value of buses and property.

Mr Lund will not comment on the final amount he expects to hand over to the Government, except to say that it will be more than the taxpayers' original investment of £87m at the time of nationalisation in 1969, "with a decent surplus on top."

The chairman also refuses to

comment on the effect on the sale price of deregulation, which exposes NBC's subsidiaries to potential competition from virtually anyone who wants to set up a bus service.

He warned in the 1986 annual report, however, that NBC managers would not hesitate to complain about unfair competition—both to the Government and the European Community's competition agencies.

It is this aspect of the sale of NBC which has been most criticised, on the grounds that investors are being asked to buy companies which are being exposed to a dramatic but unquantifiable change in market conditions.

There is little doubt that this has been partly responsible for the fact that eight of the first 12 NBC subsidiaries to be sold went to local management buy-outs.

Mr Lund conceded that the 1985 Transport Act, which paved the way for the privatisation of NBC, gives managements an "inside track" by providing for a 5 per cent discount against outside bids.

He rejects, however, suggestions that the requirement in the act that manager be given a "reasonable opportunity" to acquire a controlling interest

has been interpreted so liberally as to give them an unfair advantage.

"All the outside bidders would say that we have behaved totally properly," he says.

In fact, there were only three outside bids for the first nine companies sold, largely because local managers' detailed knowledge of the businesses enabled them to be quicker off the mark. Mr Lund says the extent of outside interest is gathering pace as the sales proceed, however, and forecasts that half the companies will eventually go to companies other than their managers.

In the meantime, he says the

privatisation is going "absolutely to plan." The slow start to the programme is explained by the difficulty of re-allocating group liabilities for pensions and taxes, the treatment of leases, property holdings and so on.

The experience of drawing up articles for the first few com-

panies sold will pay dividends in cutting the negotiating time on future sales.

One of the difficulties has been in the treatment of the assets of the subsidiaries, many of which are worth substantially more as potential sites for redevelopment than as bus stations and maintenance workshops.

The Transport Act gives NBC responsibility to sell the companies in a way likely to promote competition, and not provide quick profits from redevelopment.

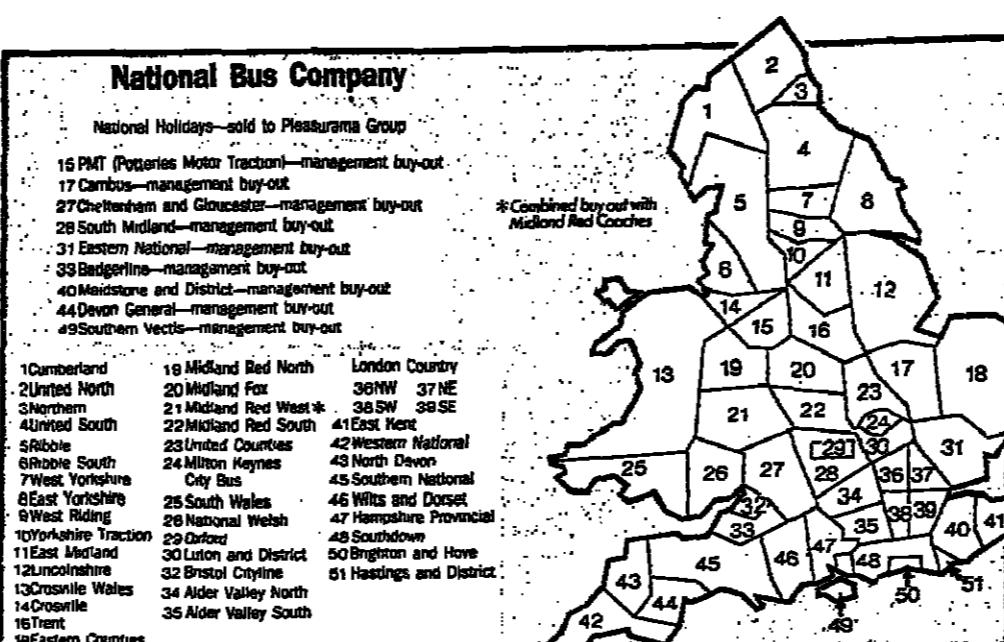
This has required novel thinking in the treatment of assets, which in the case of one company have a redevelopment value of £4m and a continued use value of only £1m.

The solution has been to impose a mortgage charge, which will require buyers to pay the full redevelopment value to the Government on top of the purchase price if the assets are removed from the company later.

Mr Lund says this provision would be worth an extra £25m to the Government if all the buyers were to indulge in asset stripping.

The Government's eagerness to complete the sale of NBC is indicated by the speed with which Mr John Moore, Transport Secretary, is dealing with

the road to commercial independence for Britain's state-owned buses has had many twists and turns, but apart, it seems likely that NBC is entering the final straight.



Ford energy drive cuts costs

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD has cut its European energy bill by 27 per cent to £113m since 1977. More than 40 per cent of the saving is accounted for by British plants.

The group has invested £7m in energy management programmes over the past five years and has increased to 14 the number of computer-controlled systems in operation. These save £3.3m a year.

Since 1977, when energy-saving activities were intensified, Ford has concentrated on modernising or modifying its boiler equipment.

Boiler equipment at the Halewood, Southampton and Swansea plants has been converted to natural gas or oil dual firing, which permits use of the most economically priced fuel

insulation, reduction of air change resulting from new or modified processes and the installation of additional controls.

"Although we have never been inefficient, our record in Europe over the past nine years has been one of steadily maintained improvement."

Energy management systems have been installed in the British plants of Halewood, Dagenham, Southampton, Bridgend, Langley and Basildon, and in the West German plants of Nienh, Saarlouis and Duren, the Genk plant in Belgium and in Spain's Valencia plant.

"We are, however, continuing to take energy saving seriously as a priority within the company and as an effective way of improving our overall efficiency."

Mr Page says most of Ford's energy savings have been achieved by "good housekeeping—the use of cost-effective

Blast pollution threat lifted

BY DAVID FISHLOCK, SCIENCE EDITOR

A POLLUTION threat to the Bristol Channel has been lifted after a power station explosion led to 8,000 gallons of light oil being leaked.

A transformer containing about 15,000 gallons of oil blew up at Aberthaw power station, near Barry, south Wales, on Christmas Day.

Staff mixed the oil with detergent as it escaped and yesterday coastguards and the Welsh Water Authority found no traces of pollution.

The transformer, which takes electricity created at the coal-fired station to the national grid, has been stopped.

An inquiry has been set up to determine the cause of the blast.

Plan for electron-beam welder

BY DAVID FISHLOCK, SCIENCE EDITOR

A CAMBRIDGE research centre plans to build what it claims will be the world's most powerful electron-beam welding facility, costing £3.5m, under the EEC's Eureka technology programme.

The 150 kw electron gun will be capable of seam welding ship's plates between and 100 times faster than arc welding, the Welding Institute claims.

The institute heads a consortium of European companies which has received backing under the Eureka programme. British participants include Babcock Power, which wants to use the technology and to market the facilities.

Welding operators will have to be shielded from the intense secondary X-rays by concrete walls at least 1 metre thick.

A concrete blockhouse, 9 metres long, 6 metres wide and

less than three years.

The aim is to demonstrate electron-beam welding at power densities high enough to avoid the need for a vacuum chamber, which would hamper large-scale use of the technique in, say, shipbuilding or boiler-making.

The Welding Institute will develop the electron gun, the heart of the process, which is twice as powerful as any gun yet demonstrated.

"There's no doubt that the institute leads the world in electron-gun technology," Mr Braithwaite claimed.

Welding operators will have to be shielded from the intense secondary X-rays by concrete walls at least 1 metre thick.

A concrete blockhouse, 9 metres long, 6 metres wide and

ECONOMIC DIARY

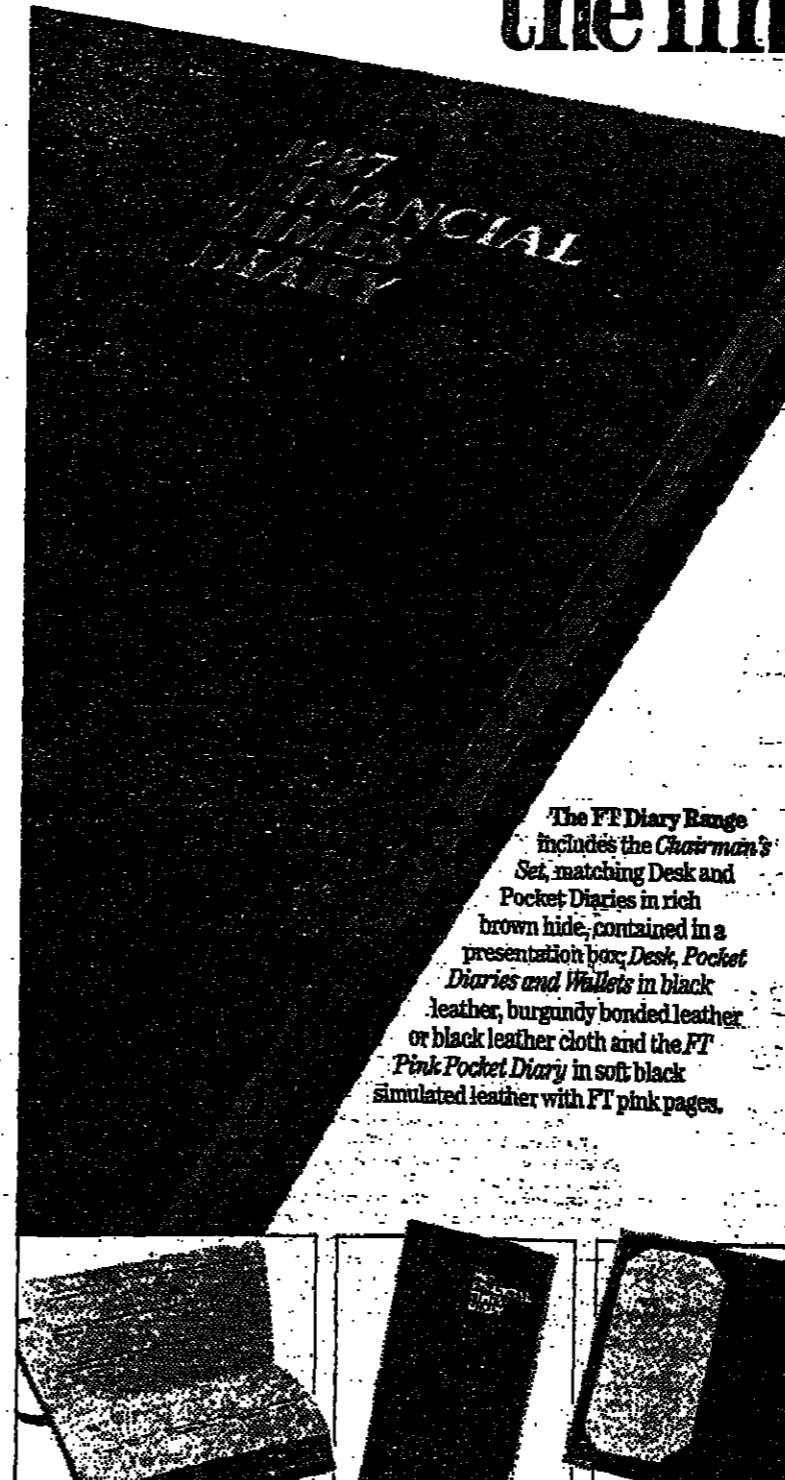
MONDAY: Department of Energy publishes energy trends for October.

TUESDAY: Saudi Arabia announces its budget for the new fiscal year.

WEDNESDAY: Bank of England issues statistics for London sterling certificates of deposit (November); UK banks' assets and liabilities and the money stock (November); details of new vehicle registrations for November from Department of Transport.

FRIDAY: Department of Trade and Industry publishes details of sales and orders in the engineering industries in September and third-quarter final figures for finished steel consumption and stock changes.

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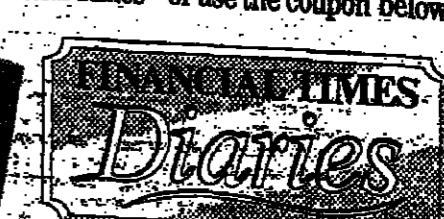
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Saturday December 27 1986

Europe as pig in the middle

"THERE ARE at the present time two great nations in the world, which started from different points, but seem to tend towards the same end. I allude," Alexis de Tocqueville, the French political scientist, wrote in 1835, "to the Russians and the Americans... Each of them seems marked out by the will of heaven to sway the destinies of half the globe."

The prescience was remarkable; one-and-a-half centuries later it still seems appropriate to review the state of world politics through the changing fortunes of the two superpowers. 1986 was not the best of years for the United States; it was rather a good year for the Soviet Union.

In the US after six years of serial incompetence Mr Ronald Reagan finally fell from grace and now looks like a very lame duck President. In the Soviet Union Mr Mikhail Gorbachev emerged as a leader more in the Kennedy mould.

Reagan's luck

Mr Reagan was lucky to get away with it for so long; he survived every previous setback practically unscathed. The turn-around came in the autumn. Mr Reagan did not handle the Reykjavik summit meeting with Mr Gorbachev too well. The Republican Party's performance in the mid-term elections was at best mediocre. Then followed—and still follow—the extraordinary revelations about US policy in Iran.

None of that means, of course, that democracy in America is in travail. The checks and balances of the system are re-assessing themselves: Congress becomes stronger as the President becomes weaker. But it is a reminder for the smaller animals in the world of how difficult it is to be in a boat with an elephant. It means that it is unlikely that the US will do very much about tackling the basic causes of its trade or budget deficits this side of a presidential election: there might even be a rush to protectionism. The future of arms control has become more unpredictable than ever. Thus the rest of the world is obliged to wait while the US sorts out its democratic processes.

In Moscow they order these things differently. Mr Gorbachev arrived on the scene at a time when it had become the conventional wisdom to believe that the Soviet Union was a conservative gerontocracy, incapable of reforming itself. It looks a bit different now. Mr Gorbachev may have many problems; there are persistent reports that he is under pressure from the old guard to reduce the pace of change. Yet he does seem to be trying to turn his country into a more modern state: still autocratic, but one more capable of competing with America for

Europe's cultural and political sympathies will continue to lie overwhelmingly with the United States; that is the democratic way. Yet there must also be a balance of power. The Soviet Union exists and has to be lived with. It is not quite the bear it used to be and, besides, the Americans are also capable of acts of global unilateralism, not entirely to everyone's taste.

What Europe should no longer be able to stand is that East-West diplomacy should be conducted through Washington over Europe's head. That was what happened in Reykjavik.

Equally, there is no way in which the European countries can go off doing their own bilateral deals with Moscow. The Europeans' future lies in unity; it will be predominantly transatlantic—what de Tocqueville called the "Anglo-Americans," but there must be a place for a dialogue with the Russians.

The year 1986 will have been a good one if, as we suspect, some progress has been made towards closer relations between London, Paris and Bonn, which can be built on in 1987.

The Boers and the Bolsheviks

DEON DU PLESSIS, an Afrikaner journalist whose French Huguenot ancestors came to South Africa some 300 years ago, will always remember his first Russian.

It was 1977 and the then Soviet President Nikolai Podgorny was about to arrive at Lusaka airport on a high-level Soviet flag-flying mission. It was just after the Soviet Union and Cuba had entrenched themselves in Angola and Mozambique, and the visit sent shudders through white South Africa.

As Deon told the tale, he stood close to the Aeroflot jet as it taxied to a halt and the door of the aircraft opened. His eyes took in the broad peasant face, the thick wrists, the baggy suit. He watched as Mr Podgorny crushed a black bomburg on his head, back to front, and walked flat-footed down the ramp to inspect the guard of honour. He was overwhelmed by the feeling that he had seen this man before. Then he realised "he was like one of us, our people. He was like a Boer." The lugubrious John Vorster was Prime Minister at the time, but anyone who has watched President P. W. Botha or General Magnus Malan, the Defence Minister, on similar occasions will know what he meant.

Now, nearly a decade after Mr Podgorny's visit, that generation of hastily-educated peasants who stepped into the shoes of men killed in Stalin's purges has been replaced by a new generation. The Soviet Union under the vigorous and self-confident Mikhail Gorbachev is energetically creating a new image. Through powerful signals like the release from internal exile of Dr Andrei Sakharov and public admission of riots in Kazakhstan the new leadership has indicated that in future dissent will not only be heard, but might even be listened to. In other words, the new leadership is building safety valves into the Soviet system.

The opposite, alas, has been happening in South Africa, especially over the last six months, which have seen re-imposition of the state of emergency and draconian restrictions on the opposition and the media. The Afrikaner nationalists who have run the country since 1948 have halted the creeping oxen cart of reform, unhooked the wagons and retreated behind a defensive laager.

The laager, with its origins in the epic history of the trekkers who rebelled against the British Empire in the 1830s and carved out their own republics in the Transvaal and Orange Free State, is the Afrikaner equivalent of the Iron Curtain. Both are the creation of regimes with doubts about their security, popularity and legitimacy; doubts which condition and help to explain everything they do.

Despite their ideological opposition, Russians and Afrikaners also share other characteristics forged by their history.

Both peoples look like Europeans, but are not in significant ways which help to explain why the Western world has such difficulty in working out appropriate policies towards them.

The old saying, "Scratch a Russian and a Tartar bleeds," reflects the profound influence on the Russian national character and institutions of that traumatic contact with Asia during invasion and occupation by the Mongol hordes. This Asian dimension, ironically reinforced under Stalin, is matched by the African dimension of the Afrikaners. After 300 years in the southern tip of the continent they have become "the white tribe of Africa" rather than displaced European colonists.

Jan Steyn, the distinguished former supreme court judge who now heads the Urban Council, a private-sector lobby group set up after the Soweto rising to press for better black housing, is the epitome of a modern "de-tribalised" Afrikaner. But he likes gently to remind foreign observers seeking explanations for some baffling act of government: "We are a peasant people, and there are not many of us."

Today the Afrikaners are divided, confused and uncertain as never before about their own

Anthony Robinson,
a former Moscow
correspondent,
now based in
Johannesburg, finds
some illuminating
parallels between
the Afrikaners
and the people
of the Soviet Union

and their country's future. There are only around 2.6m of them, too few to possess all the talents required to run a country of 36m, of whom perhaps 8m live in the First World conditions which the rest, including the overwhelming black majority, are aspiring to join. The strain is telling.

The peasant origin of most Afrikaners is reflected in their old name of Boers, the Afrikaans word for farmer. But since 1948, when the Afrikaners won back control of the country they lost during the bitter three-year Anglo-Boer war at the turn of the century, Afrikaners have become increasingly urbanised and middle class. Since 1948, they have proceeded to pack the South African state with their own people and to raise their status, wealth and power through an Afrikaner version of national socialism.

Today, over 40 per cent of Afrikaners are employed by the state. Most of the men and women who control and run the government and its para-statal

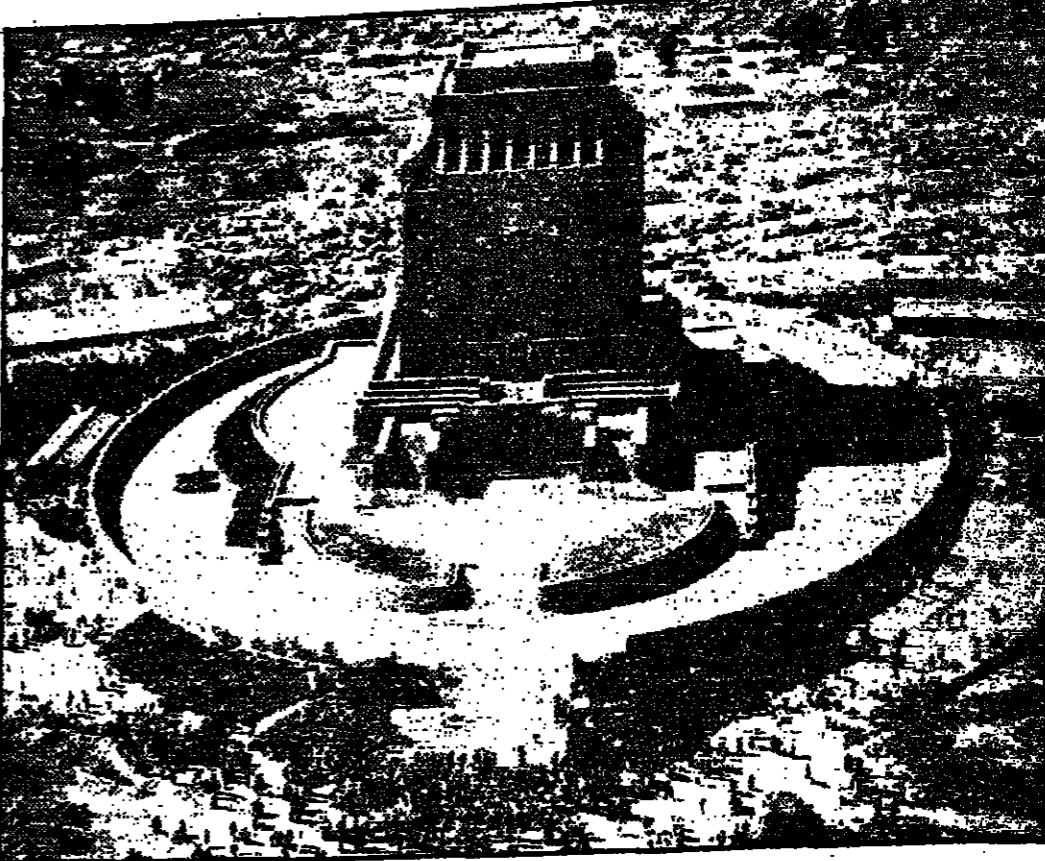
companies, from railways to steel works, are Afrikaners, and so are the policemen, soldiers and security officers.

They live in the comfortable white suburbs enjoying a way of life more closely modelled on the television soap opera "Dallas" than the rugged outdoor life of the Voortrekkers. But they are sustained by the heroic myths of their idealised past inculcated in the Christian-national education mixed with propaganda learnt at schools where Afrikaners are educated separately from other, English-speaking whites; let alone members of other ethnic groups.

Originally Afrikaners sought to defend and develop their culture, language and identity from absorption into the all-pervasive English-speaking world. Now they fear being swamped by the black majority and reverting to powerlessness. Apartheid, or separate development, was given religious backing by the Dutch Reformed Church and sold to the Puritan descendants of French Huguenots and German and Dutch Calvinists as a moral as well as practical solution to the problem of maintaining Afrikaner hegemony over this multi-racial hotpot of a country.

Jan Steyn, the distinguished former supreme court judge who now heads the Urban Council, a private-sector lobby group set up after the Soweto rising to press for better black housing, is the epitome of a modern "de-tribalised" Afrikaner. But he likes gently to remind foreign observers seeking explanations for some baffling act of government: "We are a peasant people, and there are not many of us."

Today the Afrikaners are divided, confused and uncertain as never before about their own



The Voortrekker monument: symbol of a defensive laager

being accompanied by a redistribution of wealth. "A black government would probably pour money into black peasant farming, schooling, and the like," Afrikaner farmers in particular are worried that their land would be expropriated.

Far about the future of their land, farms and way of life is widespread in the traditional Boer heartlands of the Transvaal and Orange Free State "plateland" among farmers whose living standards have already been eroded by recent years of drought. It is here in South Africa's Rio van Winkle country that the far right and the para-military Afrikaner resistance movement, the AWB, gathers much of its support from men like Jacobus van Rooyen. A large man with a kind, knobby face beneath his bushy hair, Mr van Rooyen farms tobacco near Pietersburg and is also a police reservist. He takes his bible literally, treats his blacks paternalistically, according to his lights, and says he would fight to preserve his way of life.

As he sees the contemporary Afrikaner, "about 80 per cent have retreated back into the laager. The name of the game is no longer reform but the consolidation of power. Everything is blocked until the elections next year, but there are no grounds for expecting another burst of reform once the elections are over." Instead the National Party is likely to find itself locked in a struggle for the succession, without a charismatic figure on the horizon to lead the Volk—and the rest of the country—in a new and more promising direction.

Ironically, the closest to a De Gaulle-type figure in South African politics is Mr Nelson Mandela, jailed leader of the African National Congress, whose dignity during incarceration has given him the status of a martyr and made him a powerful symbol of defiance and hope for millions of blacks.

Meanwhile, the pressures of a steadily rising black population and growing international pressure dictate that time is not on the Afrikaners' side. The danger, according to Professor Herman Gilmore, another influential "Verligte" or enlightened Afrikaner at Cape Town University, is that "by the time Afrikaners summon up the will to undertake real change we will lack the economic resources to carry them through." A redistribution of political power would have to

"group identity" and "group politics," a formula described by Professor Gilmore as being designed to share power without losing control." The nakedness of this neo-apartheid strategy, originally conceived as a fallback position if events got out of control, has been exposed by the state of emergency and the virtually free rein given to the security forces—and the centre.

But for most thinking Afrikaners it is a policy without perspective. It pits the representative power of the Afrikaner state against both world opinion and the forces of nationalism. The result is the present violent stalemate and the low density civil war which has cost over 2,200 mainly black lives. Blacks have demonstrated their power to block government reforms but are still far from being able to overthrow the state. The stand-off could last for years—but against the background of a declining economy, and an exodus of capital and white, non-Afrikaner skills.

But with reform blocked and the opposition gagged, the only movement in sight on the horizon is taking place beyond South Africa's frontiers. Next month Mr George Shultz, the US Secretary of State, is due to meet Mr Oliver Tambo, the ANC leader in Washington. The planned meeting represents a major boost for the prestige of the ANC, but will also provide an opportunity to assess the degree to which its leaders are prepared to accommodate the demands which at present so preoccupy the ANC—namely Afrikaners and whites—but also other groups in this complex country.

Africans are playing it tough ultimately because the stakes are so high and the risks so daunting. To the outside world, and to the victims of "Kragdadiheid" or toughness at home, Afrikaners now look more like the Stalinists than the Puritans of Africa. It is not a sign of their strength but their vulnerability. Oddly enough the Russians might find that easier to understand than the Americans and others in the West, who over the past few months have sought to punish because persuasion has proved so fruitless.

Woman in the News

Sister Emmanuelle
of Cairo

Mission from a broken heart

By Tony Walker



re-hydration programme has arrested deaths from diarrhoeal diseases.

Poverty and ignorance are Sister Emmanuelle's main enemies, but she has managed to persuade some zabbalin to allow their children to attend school so they can break out of the circumstances which fate has decreed for them.

The French nun's dream is to create model villages on the edge of Cairo where traditional zabbalin communities could live, employing modern methods to deal with the city's garbage instead of traditional ways in which women and children sort with their bare hands rotting scraps of refuse jettisoned by the city each day.

Sister Emmanuelle has raised funds for a composting machine at one of the settlements which will help improve the zabbalin's livelihood. She has plans for other such machines as well as new houses and improved facilities.

She is also trying to free the zabbalin women from virtual slavery, by encouraging them to take up handicrafts such as tapestry so they will have some income of their own.

Sister Emmanuelle, a Sorbonne graduate in philosophy, sets herself to most people would seem like impossible goals. Her latest project is to assist refugees from Southern Sudan who have drifted to Khartoum to get away from the rebellion in the South.

She also looks after a home for unmarried mothers from Upper Egypt in one of the camps. These women face the real danger of being killed by their families because they conceived out of wedlock.

Sister Emmanuelle, who joined her Order in 1929, says:

"We want to be a bridge between all human beings and that's my aim. I am a Catholic, of course, and I shall die a Catholic, but before I die I am a Christian. I am a human being."

"I am a daughter of God. I love all the sons of God. For me the most important thing is not a religious conviction. It is how you live loving others."

"When I saw them (the zabbalin) the first time, that was the finish," she said. "My heart was broken. I saw the children in the street, I had to help them."

Sister Emmanuelle went first to the Azalet el Nakil settlement, one of three on Cairo's fringes and lived in a hut made of old pieces of tin. The dwelling had previously been inhabited by two goats and some pigeons.

"All the garbage collectors saw I came with a poor bed like them... They were astonished. I went there because the place was damaged."

"My friends said they will kill you, but for me I like adventure. I said if they will kill me then my dream of being a saint

will be finished," she laughed. That was 13 years ago. Today Sister Emmanuelle is a permanent presence in the zabbalin camps, having lived in each one of three sprawling settlements, helping to establish clinics, kindergartens, schools and recreation centres.

Until quite recently she received little help from the authorities who had more or less turned their backs on the zabbalin. Things are better now, says Sister Emmanuelle. The Governor of Cairo has taken an interest in the plight of the zabbalin and efforts are being made to improve their

circumstances.

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Nippon Steel plans plant closures and redundancies

BY IAN RODGER IN TOKYO

NIPPON STEEL, the world's largest steel company, plans to reduce its 85,000 workforce by nearly a third by 1980 and will suspend production from five of its 12 active blast furnaces, according to news reports in Tokyo yesterday.

The company confirmed that it was preparing a major rationalisation programme, but would not comment on details until final decisions are made, probably next month.

The programme has been necessary by the negative impact of the high yen on the international competitiveness of both the company's own pro-

ducts and those of its main customers. Nippon Steel reported a pre-tax loss of Y147bn (US\$16.2bn) in the first half of the current fiscal year, excluding profits from share sales, and forecast continued difficulty in the second half.

The company's moves will follow similar drastic retrenchment programmes at other major Japanese steel producers, all of which are suffering heavy losses this year.

The cuts have come as a great shock in Japan, where the steel companies have been symbols of post-war industrial success. Up to now, the steel com-

panies have been considered the most responsible in Japanese society. So this is a very startling phenomenon.

Mr Makoto Kuroda, a vice-minister at the Ministry of International Trade and Industry, said recently:

However, there may be further retrenchment to come. Nippon Steel's plan is apparently based on the assumption that Japan's steel production will remain as high as 80m tonnes a year. Many analysts believe that production could tumble to about 70m tonnes in the next five years from the estimated 85m tonnes this year.

Isuzu plunges into red for year

BY TOSHI SHIBATA IN TOKYO

ISUZU, THE big Japanese commercial vehicle manufacturer in which General Motors owns a 34 per cent stake, has announced a plunge into loss in 1980/81, up to Y174bn in the year to October 31. It blamed the steep appreciation of the yen, higher investment outlays and increased personnel costs for a net loss of Y13.8bn (US\$1.6m), against a net profit of Y13.3bn in the previous year.

At the pre-tax level, Isuzu lost Y2.6bn against a profit of Y1.6bn in sales, with those of large and medium-sized vehicles down by 9.5 per cent and those of small commercial vehicles down by 7.7 per cent.

Sales abroad of Isuzu cars,

by contrast, showed an 8.5 per cent increase.

For the current financial year, Isuzu plans to maintain domestic sales at the same level as the previous year, when it showed gains of about 2 per cent in most categories of vehicles. It hopes to maintain export sales to the US market, but is resigned to a drop in sales to the rest of Asia. As a result, unit sales are expected to dip by 8 per cent from this year.

Pre-tax losses are forecast to widen to Y8bn on sales of only Y80bn as a result of the yen's continuing strength.

Toyo Menka in talks with Tung

BY OUR FINANCIAL STAFF

TOYO MENKA, the seventh largest Japanese general trading company, announced over Christmas that it is "in the final stages" of negotiations with C. H. Tung to withdraw its outstanding lawsuit that seeks to enforce an order from the hard-pressed Hong Kong ship owning group for nine new vessels.

If successfully concluded, an agreement between the two companies would lead to the implementation of plans for

restructuring Tung's US\$2.6bn debts and putting new equity into the company.

Tung's creditors, other than Toyo Menka, formally endorsed the scheme last month, while shareholders and holders of other Tung group companies' securities accepted earlier this month a 95 per cent write-down in the value of their holdings.

Toyo Menka has refused to enter into any of the agreements, and its opposition has been the main obstacle to the final resolution of the Tung group's difficulties. Its public

position has been to insist on full cash compensation for its order, and to reject the restructuring proposals as inadequate.

The Japanese trading group said Mr Toshi Takeuchi, its president, had been negotiating in Tokyo with Mr C. H. Tung with a view to reaching agreement before the end of the year. Toyo Menka is understood to have been under some pressure from other Japanese creditors of the Tung group to soften its opposition to the restructuring of the US vessels.

A brief statement from KLM said that the supervisory board had vetoed the proposed acquisition, but did not enlarge on its reasons for delivering what amounts to an extraordinary public rebuff to the airline's management.

Under the Dutch two-tier board system, the non-executive supervisory board has wide powers that include the appointment and dismissal of the members of the management, or executive, board. Analysts in the Netherlands cannot recall any previous occasion on which the supervisory board of a big company has refused to satisfy an executive board decision on an important strategic issue.

There has been no comment from members of the management board, though executives of the airline are understood to be deeply disappointed at the reverse to their ambitious plans to turn KLM, at one blow, into one of the world's biggest hotel owners.

Dutch financial markets reacted to the news of KLM's withdrawal with relief on Wednesday, the last day of trading this week. The share price gained at its best level of 11.2, and analysts expressed satisfaction that the airline had backed out of what had appeared to be an almost overwhelming financial commitment.

Under the Dutch two-tier board system, the non-executive supervisory board has wide powers that include the appointment and dismissal of the members of the management, or executive, board. Analysts in the Netherlands cannot recall any previous occasion on which the supervisory board of a big company has refused to satisfy an executive board decision on an important strategic issue.

In the full fiscal year, Tung expects consolidated assets to fall to about Y700bn in the previous year, but net is seen going up to some Y14bn from Y10.6bn.

Sales fell 12.1 per cent to Y35.6bn from Y40.2bn. Per share net rose to Y8.58 from Y8.39 in the year-earlier period.

During the six months, Tung said the yen's appreciation sent export prices down and hurt sales and earnings. In the domestic market, soft demand and product price declines for large

sales fell 26.2 per cent to Y2.2bn, affected by the yen's steep appreciation.

The company increased its domestic sales, thanks to favourable sales of compact disc players. However the sharp fall in overall sales caused a deterioration in the cost to sales ratio by 7.1 percentage points. The company failed to offset special losses, including a valuation loss of its US sales subsidiary and retirement allowance, with sales gain on its programme.

Saint-Gobain shares were quoted on Wednesday on the Bourse for the first time since the group was nationalised by the Left four years ago. An intense

battle of sellers, prevented the fixing of a price for the share on Tuesday. Finally a price of FF1369 (US\$17) a share was fixed on Wednesday when demand continued to be heavy.

The fixing on Wednesday represented a 19 per cent premium on the offer price of FF1369 in 1980.

The market expected profit-taking on the shares yesterday, which nonetheless fell by only 0.8 per cent to FF1366 at the close. Analysts said the shares could have declined by a larger amount because of profit-taking if investors had known how many shares they had been allocated.

• Banque Indoestier, the French banking group, is to merge the two West German private banks already in its orbit, writes George Graham in Paris.

Indoestier will hold more than 75 per cent of the new bank, Mardard Stein and Co, after

controlling 94 per cent of Marcard, based in Münster, and 30 per cent of J. H. Stein of Cologne. The Stein family, Hannover, Austria, will hold the rest of Marcard Stein.

Shortly after KLM withdrew its bid for Hilton, it was announced that UAL, parent of United Airlines of the US, was buying the hotel chain for \$980m.

WestLB Tokyo securities move

WESTDEUTSCHE Landesbank said it had obtained a securities licence in Japan, and would operate through a Tokyo branch of its Hong Kong-based WestLB Securities Pacific, reports Reuter from Frankfurt.

The state-owned airline, which is on the Federal Government's privatisation list, was able to switch capacity from slow Atlantic routes to the Vancouver run to meet Expo 86 demand and made more use of its most efficient equipment.

Air Canada optimistic

By Robert Gibbons in Montreal

AIR CANADA, which lost money in the first half of 1980 and made a C\$5.8m (US\$41.4m) profit in the third quarter, now expects earnings of between C\$20m and C\$30m for all of 1980, against a C\$14.5m loss in 1980.

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Resignation blow for Israeli contractor

BY JUDITH MALTZ IN TEL AVIV

THE RESIGNATION this week of Mr Moshe Zanbar, chairman of Solel Boneh, the Israeli civil engineering contractor, has cast serious doubts about the debt-ridden company's future.

Under pressure from the Histadrut, the Israeli trade union federation which controls the company, Mr Ehud Shilo, the managing director, agreed at the same time to postpone for another few months his previously announced decision to step down.

These moves were apparently a protest against a demand by

the parent company, Hefetz HaOvdin, the industrial arm of the Histadrut, that Solel Boneh should increase wages at a time when the company is suffering from a sharp downturn in domestic construction activity.

Management has argued that the pay rises would cost the company \$25m a year.

Two weeks ago, Solel Boneh asked the Treasury for about \$100m to help reduce the burden of its accumulated debt, now standing at \$350m, but it has not yet received a reply. The request comes in addition

Fed allows bank to sell commercial paper

By Antonio Kalotay in New York

The US Federal Reserve Board has given Bankers Trust permission to sell commercial paper through a commercial funding subsidiary, in a path-breaking ruling which promises to widen significantly the overlap between investment banking and commercial banking activities which have long been legally separated.

The Fed's decision, which allows BT Commercial Corporation to take over the commercial paper placement activities currently conducted by Bankers Trust itself, is more important for the arguments attached to it than for its operational impact on Bankers Trust.

The Fed said that placement of commercial paper did not constitute "underwriting" as defined by the Glass-Steagall Act, which separates investment and commercial banking, because no public offering were involved in the commercial paper placement.

Furthermore, the Fed argued, that even if commercial paper placement were covered by Glass-Steagall, BT Commercial could engage in it provided its share of the total dealer-placed commercial paper market did not exceed 5 per cent and provided commercial paper business did not make up more than 5 per cent of BT Commercial's total revenues. This was the first time the Fed had quantified its interpretation of the Glass-Steagall act's ban on banks engaging "principally" in the underwriting of securities.

Rift at KLM after Hilton bid withdrawal

By Our Amsterdam Correspondent

AN UNPRECEDENTED rift appears to have opened up between the management and the supervisory board of KLM, the Dutch flag airline, following the sudden withdrawal on Tuesday night of the company's ambitions bid to buy for \$975m Hilton International, the big hotel chain, from Transworld of the US.

A brief statement from KLM said that the supervisory board had vetoed the proposed acquisition, but did not enlarge on its reasons for delivering what amounts to an extraordinary public rebuff to the airline's management.

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These moves were apparently a protest against a demand by

the parent company, Hefetz HaOvdin, the industrial arm of the Histadrut, that Solel Boneh should increase wages at a time when the company is suffering from a sharp downturn in domestic construction activity.

Israeli Labour Party officials have expressed fears that the company, once ranked among the top half dozen contractors in the world, could collapse if the Government fails to provide aid immediately.

Solel Boneh, however, insisted yesterday that the recovery programme had already borne fruit and that it expected to break even during 1987.

The request comes in addition

to the \$80m injected several

months ago, as part of a wide-ranging government-imposed programme aimed at getting the company back on its feet.

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WEEKLY PRICE CHANGES

LATEST PRICES PER TONNE

CHARGE ON WEEK

YEAR AGO

HIGH LOW

1986

1985

1984

1983

1982

1981

1980

1979

1978

1977

1976

1975

197

CURRENCIES & MONEY

FOREIGN EXCHANGES AND MONEY MARKETS

Short covering boosts pound

TERING NOSE quite sharply in pre-Christmas trading on Wednesday. The firm's trend reflected a mini scramble to cover positions ahead of the holiday. The pound reacted favourably to the prospect of higher oil prices, however, dealers remained cautious and stressed that not too much could be read into sterling's apparent strength. Its exchange rate index at noon, the last of the day, rose to 98.0 from 98.2 at the opening and 98.6 on Tuesday.

The pound closed at 98.4500 up 11.4500 and DMI 2.507 compared with 98.2575 against the yen it was slightly lower at 97.9500 from 98.5. Elsewhere it rose to FPF 9.44 on FPF 9.4800 and SPT 4.205 from 4.2030.

The dollar remained within a very narrow range and showed little change from Tuesday. Against the D-mark it rose to 139.9500 from 139.655 and SPT 1.0465 from 1.0465 but eased against the yen to 118.95 from 118.5. It was higher against the French franc at FPF 8.48 against FPF 8.47. On Bank of England figures the dollar's exchange rate index was unchanged at 108.8.

Interest rates in London were little changed. Short-term money as very cheap towards the close, however, touching a low of 3 per cent despite a slight rise in the short-term money market. Three-month interbank money was quoted at 11.11 per cent from 11.11 per cent.

The Bank of England forecast a shortage of £1.650m with others affecting the market including maturing assistance and a take up of Treasury bills together with draining £130m and chequer transactions a further £600m. In addition there was a fall in the note circulation of £120m brought forward to £120m before Christmas.

To help alleviate that shortage, a Bank offered an early period of assistance which totalled £200m and comprised outright purchases of £1m of eligible bank bills to

hand 1 at 10% per cent, £142m in hand 2 at 10% per cent and £134m in hand 3 at 10% per cent in hand 4 it purchased £1m of Treasury bills and £30m of eligible bank bills in hand 1, £74m in hand 2, £6m in hand 3 and £115m in hand 4, all at 10% per cent. It also arranged sale and repurchase agreements on £160m of paper at 10.11% per cent for repurchases on December 22.

The shortage was revised to

£1.608m and the Bank gave additional help in the morning of £200m through outright bill purchases. £200m eligible bank bills in hand 1, £74m in hand 2, £6m in hand 3 and £115m in hand 4, all at unchanged rates and sale and repurchase agreements on £160m of paper at 10.11% per cent on December 12. Total unwind on December 12. Total help was £1.605m.

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 24	Days' forward	Cash	One month	% p.c.	Three months	% p.c.
US	1-month	1.4565/1.4575	1.42-0.25%	3.54	1.51-1.52	4.25
Canada	2-21/2	1.3805/1.3825	0.25-0.35%	4.45	1.42-1.45	2.24
Denmark	3-21/2	1.3750/1.3770	0.24-0.25%	4.39	1.43-1.45	4.78
Sweden	3-21/2	1.3750/1.3770	0.24-0.25%	4.39	1.43-1.45	4.78
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London Stock Exchange

DEALINGS

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Details relate to those securities not included in the FT Share Information.

The prices and dates set out in the business done in the 24 hours up to 1.30 p.m. on the day and the second day of the close of business are given. They are not in order of execution but in ascending order which denotes the day's highest and lowest closing price.

For these securities in which no business was recorded in Tuesday's Official List, the latest recorded business in the two previous days is given with the relevant date.

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Automated Security (Offices) Soc/P (E1) 51

Barmi 12/2 1987 100/10

Birmingham 12/2 1987 52/4 (22/12) Soc

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	Vol.	Lam.	Vol.	Lam.	Vol.	Lam.		Vol.	Lam.	Vol.	Lam.	Vol.	Lam.
S 400	10	10	10	10	10	10	S 400	10	10	10	10	10	10
GOLD C	20	9	20	11	17	20	GOLD C	20	9	20	11	17	20
GOLD C	40	10	40	11	40	10	GOLD C	40	10	40	11	40	10
S 400	10	10	10	10	10	10	S 400	10	10	10	10	10	10
S 400	20	9	20	11	17	20	S 400	20	9	20	11	17	20
S 400	40	10	40	11	40	10	S 400	40	10	40	11	40	10
SILVER C	350	—	350	—	350	—	SILVER C	350	—	350	—	350	—
SILVER C	700	—	700	—	700	—	SILVER C	700	—	700	—	700	—
SILVER C	1300	—	1300	—	1300	—	SILVER C	1300	—	1300	—	1300	—
SILVER C	2600	—	2600	—	2600	—	SILVER C	2600	—	2600	—	2600	—
SILVER C	5200	—	5200	—	5200	—	SILVER C	5200	—	5200	—	5200	—
SILVER C	10400	—	10400	—	10400	—	SILVER C	10400	—	10400	—	10400	—
SILVER C	20800	—	20800	—	20800	—	SILVER C	20800	—	20800	—	20800	—
SILVER C	41600	—	41600	—	41600	—	SILVER C	41600	—	41600	—	41600	—
SILVER C	83200	—	83200	—	83200	—	SILVER C	83200	—	83200	—	83200	—
SILVER C	166400	—	166400	—	166400	—	SILVER C	166400	—	166400	—	166400	—
SILVER C	332800	—	332800	—	332800	—	SILVER C	332800	—	332800	—	332800	—
SILVER C	665600	—	665600	—	665600	—	SILVER C	665600	—	665600	—	665600	—
SILVER C	1331200	—	1331200	—	1331200	—	SILVER C	1331200	—	1331200	—	1331200	—
SILVER C	2662400	—	2662400	—	2662400	—	SILVER C	2662400	—	2662400	—	2662400	—
SILVER C	5324800	—	5324800	—	5324800	—	SILVER C	5324800	—	5324800	—	5324800	—
SILVER C	10649600	—	10649600	—	10649600	—	SILVER C	10649600	—	10649600	—	10649600	—
SILVER C	21299200	—	21299200	—	21299200	—	SILVER C	21299200	—	21299200	—	21299200	—
SILVER C	42598400	—	42598400	—	42598400	—	SILVER C	42598400	—	42598400	—	42598400	—
SILVER C	85196800	—	85196800	—	85196800	—	SILVER C	85196800	—	85196800	—	85196800	—
SILVER C	170393600	—	170393600	—	170393600	—	SILVER C	170393600	—	170393600	—	170393600	—
SILVER C	340787200	—	340787200	—	340787200	—	SILVER C	340787200	—	340787200	—	340787200	—
SILVER C	681574400	—	681574400	—	681574400	—	SILVER C	681574400	—	681574400	—	681574400	—
SILVER C	1363148800	—	1363148800	—	1363148800	—	SILVER C	1363148800	—	1363148800	—	1363148800	—
SILVER C	2726297600	—	2726297600	—	2726297600	—	SILVER C	2726297600	—	2726297600	—	2726297600	—
SILVER C	5452595200	—	5452595200	—	5452595200	—	SILVER C	5452595200	—	5452595200	—	5452595200	—
SILVER C	10905190400	—	10905190400	—	10905190400	—	SILVER C	10905190400	—	10905190400	—	10905190400	—
SILVER C	21810380800	—	21810380800	—	21810380800	—	SILVER C	21810380800	—	21810380800	—	21810380800	—
SILVER C	43620761600	—	43620761600	—	43620761600	—	SILVER C	43620761600	—	43620761600	—	43620761600	—
SILVER C	87241523200	—	87241523200	—	87241523200	—	SILVER C	87241523200	—	87241523200	—	87241523200	—
SILVER C	174483046400	—	174483046400	—	174483046400	—	SILVER C	174483046400	—	174483046400	—	174483046400	—
SILVER C	348966092800	—	348966092800	—	348966092800	—	SILVER C	348966092800	—	348966092800	—	348966092800	—
SILVER C	697932185600	—	697932185600	—	697932185600	—	SILVER C	697932185600	—	697932185600	—	697932185600	—
SILVER C	139586437200	—	139586437200	—	139586437200	—	SILVER C	139586437200	—	139586437200	—	139586437200	—
SILVER C	279172874400	—	279172874400	—	279172874400	—	SILVER C	279172874400	—	279172874400	—	279172874400	—
SILVER C	558345748800	—	558345748800	—	558345748800	—	SILVER C	558345748800	—	558345748800	—	558345748800	—
SILVER C	1116691497600	—	1116691497600	—	1116691497600	—	SILVER C	1116691497600	—	1116691497600	—	1116691497600	—
SILVER C	2233393995200	—	2233393995200	—	2233393995200	—	SILVER C	2233393995200	—	2233393995200	—	2233393995200	—
SILVER C	4466787990400	—	4466787990400	—	4466787990400	—	SILVER C	4466787990400	—	4466787990400	—	4466787990400	—
SILVER C	8933575980800	—	8933575980800	—	8933575980800	—	SILVER C	8933575980800	—	8933575980800	—	8933575980800	—
SILVER C	17867151961600	—	17867151961600	—	17867151961600	—	SILVER C	17867151961600	—	1			

AUTHORISED UNIT TRUST & INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

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BRITISH FUNDS

High	Low	Stock	Price	+	No.	Yield	Ex. Div.	Int. Rec.
"Shorts" (Lives up to Five Years)								
102	100	Exch 13/4c 1987	100/14	-1	102	9.74		
97	95	Exch 10c 1987	95/14	-1	103	10.27		
104	102	Exch 10c 1987	102/14	-1	104	10.27		
101	99	Exch 10c 1987	99/14	-1	105	10.27		
98	96	Exch 10c 1987	96/14	-1	106	10.27		
101	99	Exch 10c 1987	99/14	-1	107	10.27		
99	97	Exch 10c 1987	97/14	-1	108	10.27		
99	97	Exch 10c 1987	97/14	-1	109	10.27		
99	97	Exch 10c 1987	97/14	-1	110	10.27		
99	97	Exch 10c 1987	97/14	-1	111	10.27		
99	97	Exch 10c 1987	97/14	-1	112	10.27		
99	97	Exch 10c 1987	97/14	-1	113	10.27		
99	97	Exch 10c 1987	97/14	-1	114	10.27		
99	97	Exch 10c 1987	97/14	-1	115	10.27		
99	97	Exch 10c 1987	97/14	-1	116	10.27		
99	97	Exch 10c 1987	97/14	-1	117	10.27		
99	97	Exch 10c 1987	97/14	-1	118	10.27		
99	97	Exch 10c 1987	97/14	-1	119	10.27		
99	97	Exch 10c 1987	97/14	-1	120	10.27		
99	97	Exch 10c 1987	97/14	-1	121	10.27		
99	97	Exch 10c 1987	97/14	-1	122	10.27		
99	97	Exch 10c 1987	97/14	-1	123	10.27		
99	97	Exch 10c 1987	97/14	-1	124	10.27		
99	97	Exch 10c 1987	97/14	-1	125	10.27		
99	97	Exch 10c 1987	97/14	-1	126	10.27		
99	97	Exch 10c 1987	97/14	-1	127	10.27		
99	97	Exch 10c 1987	97/14	-1	128	10.27		
99	97	Exch 10c 1987	97/14	-1	129	10.27		
99	97	Exch 10c 1987	97/14	-1	130	10.27		
99	97	Exch 10c 1987	97/14	-1	131	10.27		
99	97	Exch 10c 1987	97/14	-1	132	10.27		
99	97	Exch 10c 1987	97/14	-1	133	10.27		
99	97	Exch 10c 1987	97/14	-1	134	10.27		
99	97	Exch 10c 1987	97/14	-1	135	10.27		
99	97	Exch 10c 1987	97/14	-1	136	10.27		
99	97	Exch 10c 1987	97/14	-1	137	10.27		
99	97	Exch 10c 1987	97/14	-1	138	10.27		
99	97	Exch 10c 1987	97/14	-1	139	10.27		
99	97	Exch 10c 1987	97/14	-1	140	10.27		
99	97	Exch 10c 1987	97/14	-1	141	10.27		
99	97	Exch 10c 1987	97/14	-1	142	10.27		
99	97	Exch 10c 1987	97/14	-1	143	10.27		
99	97	Exch 10c 1987	97/14	-1	144	10.27		
99	97	Exch 10c 1987	97/14	-1	145	10.27		
99	97	Exch 10c 1987	97/14	-1	146	10.27		
99	97	Exch 10c 1987	97/14	-1	147	10.27		
99	97	Exch 10c 1987	97/14	-1	148	10.27		
99	97	Exch 10c 1987	97/14	-1	149	10.27		
99	97	Exch 10c 1987	97/14	-1	150	10.27		
99	97	Exch 10c 1987	97/14	-1	151	10.27		
99	97	Exch 10c 1987	97/14	-1	152	10.27		
99	97	Exch 10c 1987	97/14	-1	153	10.27		
99	97	Exch 10c 1987	97/14	-1	154	10.27		
99	97	Exch 10c 1987	97/14	-1	155	10.27		
99	97	Exch 10c 1987	97/14	-1	156	10.27		
99	97	Exch 10c 1987	97/14	-1	157	10.27		
99	97	Exch 10c 1987	97/14	-1	158	10.27		
99	97	Exch 10c 1987	97/14	-1	159	10.27		
99	97	Exch 10c 1987	97/14	-1	160	10.27		
99	97	Exch 10c 1987	97/14	-1	161	10.27		
99	97	Exch 10c 1987	97/14	-1	162	10.27		
99	97	Exch 10c 1987	97/14	-1	163	10.27		
99	97	Exch 10c 1987	97/14	-1	164	10.27		
99	97	Exch 10c 1987	97/14	-1	165	10.27		
99	97	Exch 10c 1987	97/14	-1	166	10.27		
99	97	Exch 10c 1987	97/14	-1	167	10.27		
99	97	Exch 10c 1987	97/14	-1	168	10.27		
99	97	Exch 10c 1987	97/14	-1	169	10.27		
99	97	Exch 10c 1987	97/14	-1	170	10.27		
99	97	Exch 10c 1987	97/14	-1	171	10.27		
99	97	Exch 10c 1987	97/14	-1	172	10.27		
99	97	Exch 10c 1987	97/14	-1	173	10.27		
99	97	Exch 10c 1987	97/14	-1	174	10.27		
99	97	Exch 10c 1987	97/14	-1	175	10.27		
99	97	Exch 10c 1987	97/14	-1	176	10.27		
99	97	Exch 10c 1987	97/14	-1	177	10.27		
99	97	Exch 10c 1987	97/14	-1	178	10.27		
99	97	Exch 10c 1987	97/14	-1	179	10.27		
99	97	Exch 10c 1987	97/14	-1	180	10.27		
99	97	Exch 10c 1987	97/14	-1	181	10.27		
99	97	Exch 10c 1987	97/14	-1	182	10.27		
99	97	Exch 10c 1987	97/14	-1	183	10.27		
99	97	Exch 10c 1987	97/14	-1	184	10.27		
99	97	Exch 10c 1987	97/14	-1	185	10.27		
99	97	Exch 10c 1987	97/14	-1	186	10.27		
99	97	Exch 10c 1987	97/14	-1	187	10.27		
99	97	Exch 10c 1987	97/14	-1	188	10.27		
99	97	Exch 10c 1987	97/14	-1	189	10.27		
99	97	Exch 10c 1987	97/14	-1	190	10.27		
99	97	Exch 10c 1987	97/14	-1	191	10.27		
99	97	Exch 10c 1987	97/14	-1	192	10.27		
99	97	Exch 10c 1987	97/14	-1	193	10.27		
99	97	Exch 10c 1987	97/14	-1	194	10.27		
99	97	Exch 10c 1987	97/14	-1	195	10.27		
99	97	Exch 10c 1987	97/14	-1	196	10.27		
99	97	Exch 1						

MINES—Continued

Shares boom tipped

THE SWISS equity market has had a good year of it. The average share price was substantially higher than ever before, with the Swiss Bank Corporation Index reaching an all-time record of 681.9 points on December 9. For foreign investors, Swiss shares have been all the more attractive in view of the marked strengthening of the franc.

Although the past few days of trading have seen a slight decline of equity prices from the recent peak, shares are generally expected to rise to new highs in the near future. For the 12-month period to November 1987, Union Bank of Switzerland believed there will be an average increase of something like 15 per cent.

Credit Suisse also feels the upswing will continue, although chief economist Alois Bischofberger does expect a turn in the trend—probably in the second half of next year—as prospects for 1988 start to look less rosy.

There are various reasons for the market's medium-term optimism. First and foremost, the Swiss economy seems set fair to keep growing in 1987 and, albeit perhaps most slowly, in the following year, with at least some upward effect on the



The series of covered-warrant placements against Swiss registered shares has come to a virtual stop, at least for the time being. Some 13 of these took place within only a few weeks before the near-craze petered out. Since then, there has been only one further transaction—with the UBS subsidiary Cantrade offering 27,000 warrants against Nestle equities.

The pioneer of this new instrument was BZ Bank Zurich, which placed 100,000 warrants against Ciba-Geigy's registered shares early last month. Bank president Dr Martin Ebner now thinks the market is temporarily exhausted for want of new material.

The point is that despite existing shareholders having shown themselves keen to cover the warrants, only a limited number of the total registered

The Swiss economy seems set fair to keep growing in 1987

... with at least some upward effect on the overall dividend

level of listed companies, reports John Wicks in Zurich

overall dividend level of listed companies. At the same time, inflation and interest rates will remain very low and make share yields—now running at just below 1.9 per cent—more acceptable.

At home, demand will be fuelled by the high liquidity of institutional investors, not least in the light of a Government ruling permitting life assurance companies to invest up to 30 per cent (hitherto only 5 per cent) of their assets in equities. Foreign investors will, for their part, continue to be attracted by what should remain a rock-hard Swiss franc.

shares outstanding are held by institutional investors.

SEB and other banks have been contacted by individual shareholders, but it appears that the inclusion of small-scale private participants would pose considerable organisational difficulties.

Also, it has been made very clear to foreign warrant-holders that no exception will be made for them when it comes to disposing of the warrant. The general rule is that non-Swiss cannot be entered into Swiss share registers. Not only this: a recent statement by the Association of Swiss Industrial

return to more normal growing conditions next year is still likely to mean a bigger world crop. "We now need a production increase and we will get it next year," he says. "At best, I see equilibrium between supply and demand."

In the meantime, operators on both sides of the cotton trade will be trading extremely carefully. This year's unprecedented price swings left quite a number of traders with egg on their faces. Agents who sold too cheaply and buyers who missed the summer bargains will be anxious not to make the same mistakes again.

One of their problems will continue to be assessing the size of Chinese stocks. Although it is now accepted that the figure of 17.5m bales talked about back in August was probably far too large, their true size remains something of a mystery. An equally big question mark hangs over their quality.

It had been assumed until quite recently that transport

constraints were the main constraint on Chinese exports,

limiting them to about 2.6m bales a year. Recently, offers to buy Chinese supplies have not been snapped up, however, although that figure has not been reached. This has raised further doubts about the availability of saleable cotton in the People's Republic.

Incentives to growers led to a spectacular upsurge in Chinese production, from 12m bales a year at the beginning of this decade to an estimated 19m bales in 1985-86. But if the quality of the expanded crop is not coming up to scratch, the authorities could be forced to sacrifice some of this increase and encourage growers to concentrate more on producing what the buyers want.

Richard Mooney

Cotton picks up threads

At 75.355m bales (73.027m in 1985-86), indicating a drawdown of 5.761m bales from a stock level which is generally agreed to be much lower than was thought three months ago.

This picture has been reflected in a continuing rise in Cotton Outlook's Cotton "A"

index—which bottomed-out at 83.55 cents a pound on August 6—to above 60 cents a pound—a 18-month high.

The bulk of the world's producers can make money at present prices, so traders are taking a cautious view of future markets prospects in case increased plantings send cotton into another bear cycle.

There is, however, little danger of this according to E. Southworth of Halli Brothers and Coney, a Cargill subsidiary. He explains that northern hemisphere producers (who account for about 90 per cent of total output) have not yet had the chance to respond to the earlier rock-bottom prices. So, the subsequent recovery has simply removed the incentive to cut acreage. "The mills are well covered and the suppliers are well sold so I am neutral to the market at the moment," Southworth says.

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Commodities

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PERFORMANCE OVER 1986

The following table shows the change in the FT 30-Share Index and its constituents over the year to date. The FT Gold Mines Index is also shown.

Price Change
on since
Wednesday 31.12.85 High Low

Price Change
on since
Wednesday 31.12.86 High Low

	Price on Wednesday 31.12.85	Change since Wednesday 31.12.85	High	Low		Price on Wednesday 31.12.86	Change since Wednesday 31.12.86	High	Low
FT Ord Index	13012	+169.8	1425.9	1094.3	Grand Met	458	+60	482	332
ASDA-M&S	154	+10	170	130	GKN	266	+3	305	238
Allied-Lyons	313	-46	363	252	Guinness	281	-39	333	277
BICC	258	+17	370	235	Hanson Trust	189	+104	214	141
BOC	368	+79	382	279	Hawker Sidd	445	-16	620	405
BTR	268	+16	330	241	ICI	510	+34	511	432
Beecham	440	+79	444	320	ICI	446	-20	553	437
Blue Circle Inds	663	+88	723	526	Lucas Ind	466	-20	553	437
Boots	231	-30	226	209	Marcus & Spencer	179	+3	227	167
Brit Gas	642	+142	68	61	NatWest Bank	532	+68	575	436
BP	715	+157	715	518	P & O	508	+53	575	430
Brit Telecom	214	-18	278	178	Plessey	186	+12	246	162
Cad Schweppes	183	+25	196	144	Royal Ins	857	+59	965	762
Courtaulds	314	+122	326	191	Tate & Lyle	560	+12	657	520
General Elec	186	+12	224	160	Thorn-EMI	467	+66	528	377
Glaxo	102	+26	114	756	Trusthouse Forte	176	+19	208	140
					Gold Mines Index	299.6	+49.8	357.8	185.7

*Change based on partly-paid up value. **Change made for capital change.

Nikki Tait looks back at a year of major change in London

Gas, Guinness and predators

EVEN A Martian, with no inkling of earthly stock markets, should not have too much problem interpreting London's progress during 1986.

One glance at the FT All-Share Index and he would find the message writ large—four months of buoyant optimism, followed by eight months of in-

decided testing. The stubborn defence by McCordale against Norton Oxpeck produced a challenge to the Takeover Panel's own powers, establishing that these were ultimately subject to the rule of the law courts.

The market, meanwhile, ended the year in a quandary: having assumed that clearance of the Elders-LIL bid for Allied-Lyons meant that highly-gearred bids would not incur official scrutiny, it was promptly hammered by referral of the Barclay brothers' Guif

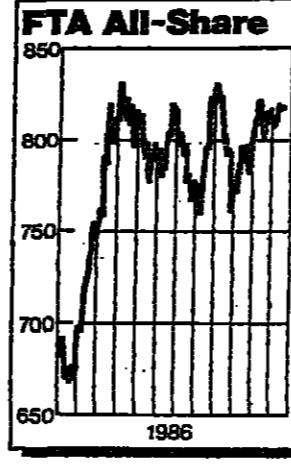
and Satchi and Satchi's £408m call, which subsequently helped to fund the Ted Bates deal in the US, proved the sharpest blow. In the second quarter of the year, companies raised £1.5bn through rights issues alone.

Cash calls were not the only ones on London's funds. The Government's privatisation programme trundled forward with the third tranche of British Telecom raising £1.5bn in April and the giant British Gas offering £15.5bn in total but £2bn upfront—in November. To

gether, these sums, plus a £200m second payment on Cable & Wireless in March, slightly exceeded the £2.5bn that rolled into the Treasury's coffers in 1985.

On a similar scale, although outside the government sector, TSB raised a further £1.5bn—providing a nice boost for rival bank shares as institutions tried to maintain the correct portfolio weightings without need.

Banks BaseRate



lessly stuffing small investors' pockets.

No sooner was TSB successfully launched, however, than Big Bang became the market's predominant worry, with optimists arguing that purchases of stock by the new investment houses would push up prices and that any ensuing confusion would create an ideal climate for corporate raiders. Pessimists simply pointed to potential chaos.

At first sight, the impact of a westward shift on London's market, might seem slight.

Limited to individual cases, like the Boots-FITL acquisition, where scepticism over the merits of the deal itself acted as a short-term depressant on the share price. That, however, forgets the financing of these deals. According to Heare Govett, well over one-third of the sums spent in the first nine months of the year went to the oil and gas sector from its previously beleaguered levels.

The upswing in corporate activity, coupled with the market's own movements, did a touch more for investment trusts.

But if the Big Bang and British Gas worries have largely evaporated, and oil price/interest rate movements are only marginally down on the year's opening level, the market does end 1986 with two unresolved questions. The first is how much more will be unearthed on the "City scandal" front. Inquiries have already emmeshed the likes of Guinness, Exco and ConsGold as well as the Department of Trade itself.

Last, but by no means least, there is a growing suspicion that 1987 could be an election year. At the start of Christmas week, a weekend opinion poll giving the Tories an 8.5 per cent lead provided the markets with ample excuse to enter the festive spirit. In the sober light of January, swings in political fortune may prove more unsettling.

In short, peace on earth—but not quite in Trafalgar Street.

Kenneth Marston talks to three top executives

A world where only the strong survive

man of London's CONSOLIDATED GOLD FIELDS, says:

Life companies are looking ahead to 1988 says Eric Short

NORMAN FOWLER'S new pension arrangements come into being in April 1988. But life companies are not waiting till then to launch into the individual pensions market.

A growing number have been revising their existing pension contracts or designing new ones. Their aim is to take advantage of the current individual pension market for the self-employed and controlling directors and executives, and to have a product that with only minimal alteration can be launched in April 1988 as a personal pension contract for employees.

This is the philosophy adopted by Eagle Star, a member of BAT Industries, when it launched two new pension contracts this week—the Rainbow Executive Pension Plan and the Rainbow Personal Pension Plan.

Eagle Star has been marketing with-profit pension contracts for decades. But these are its first unit-linked pension contracts following its decision a year ago to enter fully into the unit-linked market.

Eagle Star's approach to unit trusts and unit linked products has been to offer clients a

New pension flexibility

choice of contracts with varying degrees of risk and rewards under its Rainbow concept which uses the colours of the rainbow to designate the underlying risk.

For linked life products it offers four managed funds with varying degrees of risk—the nil risk Secure Fund, the low risk Blue Chip Fund, the medium risk Performance Fund and the high risk Adventurous Fund. The performance of these funds over the past year almost follows the pattern that when stock markets are buoyant, the highest risk fund will provide the highest rewards.

Secure Fund +7.5 per cent
Blue Chip +24.7 per cent
Performance +51.3 per cent
Adventurous +47.9 per cent
These results put Eagle Star

among the top performers as an investment management group.

The pensions contracts will invest in the same four funds, operating on a tax exempt basis.

Eagle Star has adopted the approach of separate contracts for executives and the self-employed. However, individuals will be able to switch without penalty from one contract to another as their employment status changes.

The personal pension plan will convert with a minimum of alteration to one for employees under the Fowler proposals. Investors also have an additional choice of a unitised with-profits fund and can spread their contributions among one or more of the funds.

This will enable Eagle Star to offer complete investment flexi-

bility within one contract—essential for the new style personal pensions, since the Inland Revenue is proposing just one contract per employee.

In contrast, PS Assurance has recently launched a flexible Individual Pension Plan under its Genesis series to meet the pension needs of all individuals whatever their employment status, together with a new buy-out plan which enables employees changing jobs to get better value for their accrued pension rights with their previous employer.

Sun Life is again promoting its Flexible Retirement Account, which comes in two versions—individual and company.

Brian Symonds, pensions development manager at Sun Life, feels that the terms and conditions relating to personal pensions will not encourage selling to individual employees unless they are in the mobile, high earnings brackets. He feels that it will be far more productive to go after the small and medium sized employer currently without a pension scheme.

The personal pension plan will convert with a minimum of alteration to one for employees under the Fowler proposals. Investors also have an additional choice of a unitised with-profits fund and can spread their contributions among one or more of the funds.

This will enable Eagle Star to offer complete investment flexi-

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	Compounded return for taxpayers at 45%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANKS							
Deposit account	5.00	5.12	3.96	2.88	monthly	1	2,500 minimum 0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500-25,000 0
Three-month term	7.63	7.85	6.08	4.42	quarterly	1	2,500-25,000 90
BUILDING SOCIETIES							
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000 0
High interest access	7.75	7.75	6.00	4.57	yearly	1	500 minimum 0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum 0
High interest access	8.25	8.25	6.39	4.65	yearly	1	5,000 minimum 0
High interest access	8.50	8.50	6.58	4.79	yearly	1	10,000 minimum 0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999 90
90-day	9.00	9.20	7.13	5.18	half yearly	1	25,000 minimum 90
NATIONAL SAVINGS							
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000 30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000 90
32nd issue	8.75	8.75	8.75	8.75	not applicable	3	25,000 8
Yearly plan	8.84	8.84	8.84	8.84	not applicable	3	20-200/month 14
General extension	8.70	8.70	8.70	8.70	quarterly	3	— 8
MONEY MARKET ACCOUNTS							
Money Market Trust	8.01	8.17	6.33	4.60	half yearly	1	2,500 minimum 0
Schroder Wagg	7.29	7.54	5.84	4.25	monthly	1	2,500 minimum 0
Provincial Trust	8.22	8.54	6.61	4.81	monthly	1	1,000 minimum 0
BRITISH GOVERNMENT STOCKS							
7.75pc Treasury 1985-88	10.74	8.45	7.19	6.00	half yearly	4	— 0
10pc Treasury 1990	11.19	8.22	6.59	5.06	half yearly	4	— 0
10.25pc Exchequer 1995	11.07	8.01	6.32	4.74	half yearly	4	— 0
3pc Transport 1978-88	8.24	7.32	6.82	6.24	half yearly	4	— 0
2.5pc Exchequer 1990	8.20	7.38	6.93	6.50	half yearly	4	— 0
Index-linked 1990	7.74	7.14	6.81	6.50	half yearly	2/4	— 0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. \$ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

If you're about to invest in a pension plan make sure it's the best on the market.

SCHRODER Managed Fund	ALLIED DUNLAP Managed Fund	EQUITABLE With Profits	SCOTISH WIDOWS With Profits	ALBANY LIFE Multiple Fund	TARGET Managed Fund
\$29,617	\$31,226	\$31,029	\$34,400	\$36,221	\$54,325
\$28,400	\$28,400	\$28,400	\$28,400	\$28,400	\$28,400

Value of Pension Fund over 10 years to 1st April 1986.

Source: Money Management, August 1986

Assumes £20 monthly premiums of £100. *Amount Invested (Allowing for tax relief at 30%)

** Target soars head and shoulders above all its rivals in the pensions field. ■

The Times, Saturday 26th January 1985.

If you're self-employed or the director of a private company, you'll know all about the tax advantages of investing in a pension plan.

Your biggest problem will be selecting the best from the rest. Obviously, the most important factor will be the size of your pension fund when you eventually retire.

Indeed the best performing contract in the survey was linked to Target's Managed Fund. ■

The Daily Telegraph, Saturday 31st December 1983.

All too often, this decision is taken as a result of comparing projected growth figures, whereas the only realistic basis for comparison is achieved growth. The table above compares the actual results of an investment in the Target Personal Pension Plan – linked to the Target Managed Pension Fund – with two leading with profits policies and three other unit linked plans invested in managed funds.

TARGET
TARGET GROUP PLC



Subject to level of premium and acceptable security.

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Please let me have further details of the Target Pension Plan.

FT/27/1

Name _____

Occupation _____

Address _____

Postcode _____ Bus. Tel. No. _____

Send to: Dept. MF, Target Group PLC, FREEPOST, Aylesbury, Bucks HP15 3YA.



Tim Melville-Ross



Jimmy Gulliver



Sir Ralph Halpern



Sir Nicholas Goodison

Nikki Tait speaks to would-be reformed characters

Next business: resolutions

ROADS TO HELL, so the saying goes, are paved with good intentions—but that has never stopped anyone wishing. So, here is an advance on Hogmanay Eve. If some of 1986's more prominent industrialists and institutions wrote messages to be whisked up their corporate chimneys, this is what they would be asking for:

"It's been the same for 20 years—let's eat less and take it easy" — STANLEY KALMUS, chairman and chief executive of Dixon's Group.

"To talk less and listen more" — TIM MELVILLE-ROSS, head of Nationwide Building Society.

"That 1987 will be the year in which all international investors look to London for the service they need" — SIR NICHOLAS GOODISON, chairman of the Stock Exchange.

"To continue directing Pil-

ington's successful future of BRITISH AEROSPACE. "To retire and lose weight" — SIR JOHN HARVEY-JONES, chairman of ICL.

"To keep a low profile" — ROBERT MAXWELL, Daily Mirror publisher.

"To do better where I have done less well this year" — JIMMY GULLIVER, chairman of Argyll Group.

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"To continue directing Pil-

MARCH: chief executive, Prudential Portfolio Managers, and colleagues.

"To persuade our financial institutions to take a positive and long-term view of the UK economy" — SIR RALPH HALPERN, chairman of Burton Group and Britain's top-paid director.

INDEPENDENT TO THE END: DAVID HOPKINSON—who retires as managing director of M&G next February—will not be making resolutions. But he does volunteer two questions: "Guinness is stated as seeing Mr (Ivan) Boesky as a 'trusted adviser'; who would they see as an untrustworthy one? And who would be the first City or media economist prepared to admit Mr Lawson has done quite a good job in 1986?"

Robert Maxwell

Sir John Harvey-Jones

Anthony Pilkington

Geoffrey Mulcahy

Eric Short on a new ombudsman in the market

Home service and extras

Hugo Dixon finds building societies choosing about their widening activities

BUILDING SOCIETIES will be allowed to do more things like banks, "mortgage" agents, building brokers, and property developers next year.

But do not expect to find your building society engaging in all these activities from January 1, 1987 or even January 1, 1989. Though there is a temptation to rush into all the new businesses allowed under the 1986 Building Societies Act, like a child in a toy shop, the societies are being fairly choosy.

They must be — for two reasons. First, they have been told by their regulators that if they can only offer new services, they may not have enough profits. Second, their profit margins are being squeezed as competition from banks and other financial institutions heat up.

David Hockinson, director of managing director of the Building Societies Association, says: "The new things societies will be able to do fall into four broad categories: banking, investment, housing and insurance services. In deciding which areas to focus on, societies must judge how much the customer wants them and how profitable they are going to be."

The main argument for offering banking services, which include cheque books, cheque guarantee cards, personal loans, and credit cards, is that customers want them. If they cannot get them from a building society, they will go to the bank.

There are two counter-arguments: processing all the paperwork is expensive; societies are certain to make a loss out of cheque books, and they have no experience of personal lending. If they rush into that market, they could land themselves with a large number of bad debts.

The main argument in favour of selling a wider range of investments, such as unit trusts, personal equity plans and shares, is that people are becoming more sophisticated in their investment choices and do not just want to stick their money in a building society account.

If societies are not to be left behind, they will have to provide these services. Commissions from selling investments will be a handy extra when profits on their mainstream business are under pressure.

Some societies disagree. They say the strategy rests on the assumption that Britain has really become a nation of shareholders. The present euphoria about shares will not last when the bear market comes.

The societies offering estate agency are doing so for defensive reasons. Estate agents, they argue, are the first point

Stamp duties

PEOPLE ARE more likely to use building societies for services now offered by the post office than those offered by banks, according to a study published today by the Building Societies Association.

From next year, building societies will be allowed to diversify out of their traditional savings and home loans businesses. The survey of 2,455 adults conducted in February and March was designed to discover which new services people might like to use. The demand was not overwhelming.

Most popular were "post office" type services: 89 per cent of those asked said they were quite or very likely to buy a TV licence through a building society, if they could; 38 per cent would buy stamps; 38 per cent pay utility bills; 38 per cent buy a car licence; and 33 per cent collect pensions and child benefits.

Hugo Dixon

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	div (p)	%	P/E
145	118	Ass. Brit. Ind. Ordinary	132.2d	+1	7.3	5.5	8.1
151	123	Ass. Brit. Ind. Ordinary	140.4d	+1	8.0	5.6	8.1
45	38	Amritsar Ind. Holdings	35.2d	+1	4.2	12.0	4.9
71	64	BBB Design Group (USM)	35	+1	1.4	2.1	10.0
215	108	Bardon Hill Group	215.5d	+1	4.8	2.1	24.4
95	42	Brey Technologies	85	+1	4.3	4.8	11.3
202	72	CFC Group 11pc Cons. P.	120.5d	+1	2.2	2.2	9.4
152	50	Carbordurian Ordinary	150.5d	+1	15.7	10.8	10.0
208	93	Carbordurian 7.5pc P.	208.5d	+1	9.1	3.4	12.9
32	20	Frederick Parker Group	90.5d	+1	10.7	11.8	—
125	60	George Blair	22.5d	+1	—	—	—
97	20	I.J.D. Precision Castings	91	+1	3.8	4.2	2.9
218	147	Ind. Group	147.5d	+1	18.3	12.4	5.6
128	70	James Burrough	125.5d	+1	8.1	4.8	8.8
100	46	James Burrough Sec. Pl.	357.5d	+1	17.0	4.8	10.0
1025	342	Mulhouse NV (Anonse)	51	+1	12.9	14.2	—
380	220	Record Ridgeway Ordinary	740	+1	—	—	38.8
100	32	Record Ridgeway 10pc Pl.	333	+1	—	—	6.3
50	32	Robert Jenkins	82.5d	+1	14.1	17.2	—
41	28	Scrutons "A"	86	+1	—	—	3.8
139	68	Torday and Cardus	139	+1	5.7	4.1	8.4
370	320	Trevi Holdings	320	+1	7.9	2.4	6.8
72	25	Unicord Holdings (SE)	72	+1	2.8	3.8	14.4
110	47	Walter Alexander	110	+1	6.0	4.6	10.8
226	130	W. S. Yeats	198	+1	17.4	8.9	19.6
98	67	West Yorke Ind. Hosp. (USM)	98	+1	5.8	5.8	13.7
—Suspended							

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FINANCE & THE FAMILY

Eric Short reports on growing

THE competition in the mortgage field in 1986 grew sparser but generally it is healthy competition so the ultimate beneficiary will be the consumer.

One clear trend emerging is that mortgages need to be sold — something that would make the old-style building society manager turn over in his grave. This means better information, simpler products, effective staff and an appropriate selling environment. The days of the young trustee handling the housebuying requirement of the mortgage request are numbered.

Next, competition between mortgage providers is resulting in a bewildering choice of varying types of mortgage available to the house-buyer — variable rates, fixed rates, cap and collar, and so on. Each one has its purpose to meet the requirements of individuals. But it is becoming a complex world to understand for the

estate agents themselves, let alone the housebuyers, and not meeting the consumer requirements listed above.

The solution being put forward is that every point of sale — estate agency office, insurance salesman's office or the local branch of the bank or building society must have access to an on-site mortgage specialist/consultant.

Such a person will specialise in the complete mortgage market and be able to recommend the most suitable mortgage facility and this will be no means always be the cheapest to meet the client's particular needs.

This does not mean that each point of sale has to have a mortgage specialist on site. The economics of running branches would preclude this from all but the largest branches. But it does mean that each branch, no matter how small — using the latest technology with micro computers — has instant access to a central information unit and, if necessary, talking to the specialist by using electronic mail facilities.

This in turn means a much higher level of framing for product design. The days are numbered when housebuyers have separate contracts for the mortgage and the insurance element. The new-style products

will combine the two elements with the housebuyer, making one monthly payment to the mortgage lender, which in turn would pass on the appropriate payment to the life company.

One such development could take the form of the housebuyer paying a fixed monthly payment under an endowment mortgage arrangement for a given period, say five years, after which the payment would be reviewed. The lender would deduct the appropriate interest payment, the balance being passed to the life company. It is in turn would deduct the cost of life cover and expenses, the residue being invested to build

up the fund from which to repay the mortgage.

The growing use of a unit-linked contract for mortgage repayment and the development of units with profits enables life companies to be more flexible in their product design.

Whatever the future holds, it is now apparent that estate agents and their staff will have to be highly trained professionals in order to compete in this brave new world, being trained before being let loose on the public.

But training costs money and despite the commonly held view of estate agents ripping off 12 per cent of the house price are small, fees are going to rise if they are to provide a professional service that the law (as regards financial services) and the public demand.

It proposed a wider permitted range of investments for unit trusts, including money market instruments, property and commodities, unquoted stocks, traded options and financial futures.

It also suggests allowing trusts to borrow up to 10 per cent of the fund, the abolition of bid and offer prices in favour of one mid-market price, and a minimum size below which a trust should be wound up.

On balance, 1986 has been a good year for the unit trust industry and the unit holder.

It has been an eventful year, and

has set in motion trends which

should make 1987 even more eventful.

Christine Stopp

Better advice on the way

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An offshore wife

I am resident in the UK but not domiciled in the UK and my wife is also resident and presumably has my UK as her domicile as she has not applied to revert to her UK domicile of origin.

I keep my non-UK investments and income in Jersey or Germany where I previously worked and have reinvested the income offshore.

I have just read that I can transfer funds to my wife's account offshore and she can then remit the funds to her account in the UK without either of us incurring tax liability on the transfer. This provided the funds are not used to pay my debts or for housekeeping but are used purely for her own benefit with no benefit to me. Is this correct?

What is the position on my death when my wife inherits my offshore investments?

Can she transfer the lot to the UK without tax?

We are a little puzzled that you say that your wife "presumably" shares your (unspecified) domicile, as a deemed domicile of choice under section 1 of the Domicile and Matrimonial Proceedings Act 1973. Has your wife's domicile not been agreed by the Inland Revenue?

Before you start planning do-it-yourself tax avoidance, we recommend you to consult a solicitor on the question of your wife's domicile (and maybe your own). The solicitor will be able to give you general guidance on the effectiveness of the gifts which you are contemplating, subject to the laws of the countries in question.

Higher rate relief

Being in excess of £30,000 my mortgage was not originally transferable to the Miras scheme. My bank, the lender, has recently written to me stating that, subject to IR approval, the amount up to £30,000 can be brought into the scheme. I am a higher rate tax payer and concerned that by losing my present mortgage interest allowance my tax will be increased by pushing me into a higher tax band. Is this right?

It is a pity that you missed all our articles about the Miras scheme, as you would

have been saved some unnecessary worry. You will continue to get higher-rate relief through your PAYE coding; the allowance for mortgage interest in your coding notice will simply be reduced to exclude basic-rate relief. Ask your tax office for the free explanatory leaflet on Miras: IR65.

Back to the old country

I am a non-resident of 18 years' standing and expect to return to the UK in the next few months.

I read, about a year ago, that it is necessary for returning expatriates to avoid having "a continuing source of overseas income", since the Revenue might tax them "on the previous year's income, even though they were non-resident at the time." It was concluded that such potential traps should be set before return.

Does this still apply? A non-expert friend tells me that it is no longer necessary to sell before return, and that, if my wife retains her offshore high-interest cheque account, she will not pay UK tax on interest added after the date of return but not on early accruals.

If he is wrong and, if the nonsense continues in force, would it be enough to switch the account from her name to mine shortly before return? Or should I close the account and open a UK one with the same bank? Or must I close the account and leave the money in a non-interest-bearing current account for a few days until I am "safely" resident?

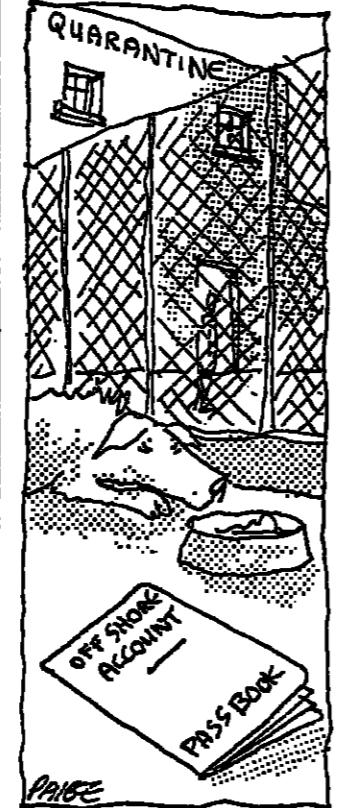
If you were a regular reader of our Briefcase column, you would know that your friend is wrong—because you would have found out the basic facts by writing to the Inland Revenue Public Enquiry Room, West Wing, Somerset House, Strand, London, United Kingdom WC2R 1LB, for a copy of the free booklet which we have consistently recommended over the years: IR20—Residents and Non-residents: Liability to Tax in the UK. The 1986 edition states the law and practice up to last May, and is still substantially reliable. When writing for a copy of IR20, you may also like to ask for a copy of IR55—Bank Interest: Paving Tax.

Why are you anxious to avoid

an assessment on the preceding year basis? If the only reason is that you expect the rate of interest to fall by the time you arrive in this country, then your wife merely has to close her account before the end of the tax year April 5 in which you become resident here. If her account is active, the UK tax inspector will probably agree to make all the assessment upon the current-year basis, anyway, to save her the administrative burden of applying the commencement and cessation rules to each pound deposited or withdrawn—which is what Parliament has decreed, as was confirmed by the Courts many years ago (in *Hart v Sangster*).

If, however, the account is not in sterling, then it will probably be best for it to be closed before the beginning of the tax year in which you expect to become resident here—in order to reduce the potential capital gains tax liability on subsequent withdrawals—if the currency in question is one which has appreciated against sterling since the account was opened.

The reply is based upon the assumption that both you and your wife have an English, Scots or Ulster domicile or origin.



No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

A place for the parents

My wife and I live in our own home (no mortgage) in the Midlands. We have ageing parents living in the north. They are both incapacitated to some extent and their present home is quite unsuited to their needs, as is its location.

The only income is the state pension. They would like to move to single storey accommodation in a town on the south coast where they already have close friends and with which they are familiar. They would not have those advantages if they were to move to live near us. A property suitable for their needs there will cost approximately £60,000, which is twice as much as they might expect to raise from the sale of their present home, and we are in a position to make up the difference. Although we could fund this from capital we would prefer to leave our investments intact.

Would my parents qualify as "dependent relatives" in this instance so that we could obtain a mortgage with tax relief to fund their house purchase, even though they will not be living nearby? Alternatively, do you have any other suggestions that will help us to help them in a financially efficient way?

If you ask your tax inspector for the free pamphlets IR11 (1985)—Tax Treatment of Interest Paid—and CGT3 (1983)—Owner-occupied Houses—you will see that your parents should indeed qualify as dependent relatives, both for interest relief and for CGT relief. Since your parents will presumably be using the services of a solicitor, even if you decide not to, it makes sense to seek the solicitor's guidance on the tax aspects etc... subject to the solicitor's views, it looks best to have the new bungalow conveyed to you all as tenants in common (rather than as joint tenants).

David Cohen on gains from executive share options

Timing is all-important

ALTHOUGH an executive share option is potentially the most attractive of all perks, its ultimate value will obviously hinge on how the share price performs. But there is one stage in a company's development when share options can produce virtually guaranteed gains—the subscription price.

The 1984 Finance Act introduced a new type of executive share option scheme. Provided the scheme is approved by the Inland Revenue, participants avoid the usual income tax charge on exercise of options and pay only capital gains tax.

As a condition of Revenue approval, the exercise price, which has to be stated when the option is granted, must not be less than the market value of the shares at that time.

The share price of a company quoted on the Stock Exchange is automatically taken as market value. But private companies wishing to grant options have to negotiate a value with the Share Valuation Division (SVD) of the Inland Revenue.

There is no magic about these paraded-down figures. Joining the Stock Exchange transforms the value of a company's equity. As a flotation approaches a gradual anticipatory increase in value is bound to occur. But until dealings actually commence there is always the possibility that an unforeseen batch or change of mind may cause a late withdrawal.

An outside investor, offered shares in a soon-to-be-flotated company, would demand a hefty discount to reflect the risk that the company may remain private. The Revenue has no choice but to apply the same logic to share option values.

The effects of this are most dramatically illustrated by considering the largest of the five recent new issues, Richard

Branson's Virgin Group.

So a company planning to go public which has decided to issue options has to make a decision on timing. If it defers the options until flotation market forces will determine the subscription price.

The alternative is for options to be given out in anticipation of flotation at a price fixed with SVD.

The only possible drawback for an executive is that if the flotation is cancelled he may have used up his option limit (the greater of £100,000 and four times salary) and may then miss the chance to get even cheaper options. But if the company is prepared to co-operate the old options can always be cancelled.

The table gives details of pre-flotation options granted by five companies which have come to the market since the beginning of last month. Comparison with the public offer price shows the extent of the discount achieved. Although the length of time between option grant and flotation is obviously crucial, the market value of the shares at that time.

If the advantages of early options are so clearcut, why is it that most companies still wait until flotation or later?

The most obvious answer is that any extra benefit to option-holders is at the expense of the original shareholders of the company. In theory at least, the existence of cut-price options will reduce the amount which the stock market will be pre-

pared to pay for the company three months earlier at 25p. But in practice, options rarely exceed 5 per cent of share capital so that the overall impact is likely to be minimal.

Another argument is that they are likely to blunt the desired incentive effect. Executives will reap substantial gains if it is on a profits standpoint, but less motivated to do so when things more ambitious.

But the commonest reason for delay is for more private. Most companies are simply not ready in time.

Options cannot be granted until the scheme has been formally approved by the Revenue. The approval process usually takes about six to eight weeks from start to finish. Then, after the scheme has been approved, the price has to be agreed before options can actually be granted. This can take a further two to three weeks.

Pre-flotation options are the best opportunity a company is likely to have to present its top management with substantial sums free of income tax. To grasp the opportunity, advanced planning is essential. The table shows, in the run-up to flotation every week counts.

RECENT PRE-FLOTATION EMPLOYEE SHARE OPTIONS (all dates are 1986)

Company	Flotation	Grant of Options	Percentage Discount
	Date	Date	Price
Virgin Group	10th November	140p*	4th August 22p 84.3
S. Daniels	11th November	130p	29th October 75p 42.3
Halls Homes & Gardens	24th November	95p	29th April 37p 61.1
Northumbrian Fine Foods	1st December	60p	21st November 45p 25
Wilding Office Equipment	5th December	135p	10th November 80p 40.7

* Striking price on offer by tender

Widows who are still losers

ONE ASPECT of the Social Security Act 1986 which has so far received relatively little publicity is that proposing changes to widows' benefits, due to take effect from April 1988. A major change is the replacement of widow's allowance — now paid weekly for six months — by a single lump of around £1,000.

The main losers will be younger, childless widows who will not qualify for either widow's pension or widowed mother's allowance. From April 1988, both these benefits will be paid immediately on bereavement, instead of after 26 weeks as is now the case. But widows who are not eligible for either of these benefits will lose out by nearly £15 a week (at present benefit rates) because of the cut in widow's allowance. Nor will the new lump sum payment be uprated annually.

The declarer must assume that East holds the club queen with two or three low cards. At trick three he should cross to the knave of diamonds on the table, and return a club to his king. He crosses again to the diamond queen, and leads another club, playing the ace, and a third club establishes the suit with East in the lead. Now South has nine tricks.

Of course, if East plays his queen on either lead, he is allowed to hold the trick.

E. P. C. Cotter

The rate of widow's allowance is £54.20 a week, plus £5.05 a week for each dependent child. It should be claimed within three months of bereavement and backdated to then.

Widows who are expecting their late husband's child, or have at least one child (of 16 or under) under 19 living with them, should be transferred automatically to widowed mother's allowance after 26 weeks on widow's allowance. To qualify, you do not necessarily have to be getting child benefit so you can, for example, still be eligible if the child is between 16 to 19 and at work.

Again, entitlement depends on the husband's contribution record but this time covering his working life — the same as for retirement pension, whichever is higher.

Under the changes proposed in the Social Security Act, which are not actually due to take effect until April 1988, widowed mother's allowance will be increased from 50 to 55 for full widow's pension, and from 40 to 45 for the reduced rate. It is a direct reduction which will affect thousands of women.

A common feature of all

existing widows' benefits is that they are taxable, except for the additions paid for children. They are also counted as an income resource when calculating entitlement to supplementary benefit—and they will still qualify you for the £10 Childless Bonus.

All widows' benefits end if you re-marry, and they are suspended if you live with a man as husband and wife. If your benefit is stopped for this reason, and you want to appeal, you should seek advice from a welfare rights office or Citizens Advice Bureau.

As far as funeral expenses are concerned, the existing death grant of £50—now available to all—is being abolished from April 1987. It will be replaced by help through the new social fund for people on supplementary benefit, family income supplement and housing benefit.

The time of bereavement is a very difficult period to start finding out about benefit rights. Do seek advice from your local Citizens Advice Bureau or dial 100 for DHSS Freephone.

Linda Lennard

Further information available from DHSS leaflets NP25 (Your Benefits as a Widow for the First 25 Weeks), NP36 (Your Benefits as a Widower for the First 25 Weeks), and D40 (What to Do After Death). Cruse—the national organisation for bereaved families, 1125 Shoreham Road, Richmond, Surrey, TW9 1UR. The Survival Guide for Widows is available from bookshops or from Cruse, price £3.50 (published by Age Concern England).

BRIDGE

CHRISTMAS and New Year greetings to all my readers. I offer you two no trump contracts, which the declarers failed to make. The first comes from teams-of-four:

W E
A 4 2
Q 5 5
8 5
A Q J 10 9 3
W Q 10 9 6
K J 9 7 3
K 6 4
A 10 7 3
A 5 5
A K 8
A 10 5
A Q 9 2
K 6 4

With North-South game, South dealt and bid two no trumps, and North's three no trumps was followed by three passes.

The declarer went wrong at trick one. The Rule of Eleven tells him that East holds no heart higher than the queen. He should create an entry to dummy by winning the first trick with the ace of hearts. He plays on clubs, forcing out the ace on the third round, and now he cannot be prevented from entering dummy to enjoy the established clubs.

The second hand is from ruuder bridge:

N
A 6 5 3
8 5 2
A Q J
5 7 3
W E
Q 8
Q J 9 7 4
9 5 4
J 5 3
S
K 7 4
A 6 3
K 10 8
A K 10 9
S
Q 6 4

South dealt at a low score and opened with one no trump. And North's raise to three no trumps was followed by three passes.

West led the queen of hearts, and East was smart enough to unblock with his king. South allowed this to win, but he won the ten which was returned with his ace.

E. P. C. Cotter

THOSE WHO MADE £40,000 BY INVESTING WITH HENDERSON IN 1974 SHOULD SIGN HERE.

To: Vicky Law, Henderson Unit Trust Management Ltd., FREEPOST, London EC2B 2LJ. I am one of those who had £500 invested in each of the 10 unit trusts listed below, in October 1974, and still hold those investments. I am delighted that I am now £40,000* better off.

HENDERSON CAPITAL GROWTH TRUST • HENDERSON FINANCIAL TRUST
HENDERSON INCOME AND ASSETS TRUST • HENDERSON HIGH INCOME TRUST
HENDERSON INTERNATIONAL TRUST • HENDERSON EUROPEAN TRUST
HENDERSON GLOBAL RESOURCES TRUST • HENDERSON AUSTRALIAN TRUST
HENDERSON JAPAN TRUST • HENDERSON NORTH AMERICAN TRUST

Please send me my complimentary bottle of vintage port to celebrate the success of my vintage portfolio.

Name _____

Address _____

*Offer to bid basis, net income added to 1.12.86.

HENDERSON UNIT TRUST MANAGEMENT LTD

THOSE WHO DIDN'T SHOULD SIGN HERE.

To: Vicky Law, Henderson Unit Trust Management Ltd., FREEPOST, London EC2B 2LJ. I didn't invest in Henderson's 1974 vintage portfolio and I would like to take this opportunity not to make the same mistake again. Please send me details of the various investment opportunities available from Henderson.

Name _____

Address _____

HENDERSON UNIT TRUST MANAGEMENT LTD

buyers a year, to be played with, insurance salesmen, surveyors, etc., prospective buyers, etc., alternative to moving by Duncan Mill.

6 Selecting your house? Your house is the most important investment you can make. Turn to page 22. What if he can't afford the car by the time of house?

7 Your bank offers an unexpected loan. Account costs £500 in charges, fees, and an £100. Declining costs £500 over the next few days. MISS A GO.

8 You see an Advert, but it is already very late. Make a higher, one-off offer and pay before the finance clock ticks. MOVE TO 21, and await the day.

9 You receive an offer, house 20% under price. Accepting cost your net worth and EXTRAG. Refuse and AGO.



• DIVERSIONS •

Weekend FT Quiz for 1986

Compiled by Anthony Curtis from questions set by Nigel Andrews, Philip Coggan, Clement Crisp, Gillian Darley, Chris Dunkley, John Edwards, Glyn Genin, Martin Hoyle, and Malcolm Rutherford

There are no prizes but turn to page XIII to find the answers, your score and grading

PHOTO NEWS

a The Bermuda team at the Commonwealth Games. They made their biggest ever impact. How many gold medals did they win?
b A delectable dish to set before a Queen: what was it; and where?
c The figure on the left is Derek Hatton at the Labour Conference at Blackpool, refusing to address Conference. Who is the person with him?
d Rupert Murdoch getting a whopping big kiss from his mother after he had acquired his father's old newspaper. What is its title?
e Crew and staff of the QE2 pose for a final picture before making an historic crossing of the Atlantic. What will be different when they next assemble on decks?
f The lad on the bicycle knows the name of the most famous building in Reykjavik where Reagan and Gorbachev met. What is it?
g Scenes like this led to a change in the law of . . . What?
h Which bell was moved this year; to whose new offices carried on an ear belonging to which City company?

CITY & TOPICAL

1. Chaps
a Who was the aptly named Compliance Officer at Morgan Grenfell?
b Who is the Chairman of the Stock Exchange?
c The Chairman of the Securities and Investment Board?
d Which stout man refused to take a chance and found himself in hot water?
e Who refused to take the biscuit and went up in smoke?
f Which City editor made a declaration of independence?
g Who was Ivan the Terrible, and why did he suddenly burst out singing?
2. Play It Again
a Which company was taken over by Clayform during 1985?
b Which company's debut on the stockmarket was delayed in November because of a claim against the chairman by his uncle?
c Which company was taken over by Gerald Ratner during 1985?
d Which chairman of a publicly quoted property company grows orchids?
3. Initials
What sports were the subjects of the following films:
a *Sequel*.
b *Topic*.
c *Taurus*.
d Which four letters from the ancient world are used to describe the different types of stocks traded post-Bang on the London Stock Exchange?
4. Boys and Girls
a Are there any colleges at Oxford or Cambridge which do not admit male undergraduates? If so, name them.
b Are there any which do not admit female undergraduates? If so, name them.
c Who in future will decide about sex education in schools?
d Is corporal punishment to be banned next year in any of the following: independent schools; state schools; children's homes?

TELEVISION

1. Greek Parks
a In which series did Smike turn Tory?
b In January 1986 BBC2 started a series about the perils of spaceship earth: what was its title?
c In 1976 ITV produced a Howard Brenton play about Northern Ireland; what was it called?
2. Number Titles
a How many sovereigns for Sarah?
b How many of us?
c How many bathrooms?
d How many up and how many down?
e How many minutes on BBC2?
f How many minutes on Channel 4?

SPORT

1. Try again
This year, what did:
a Nigel Mansell win at the second attempt?
b England's cricketers manage at the 12th attempt?
c Ross Norman do at around his 30th attempt?
d Mike Tyson do at his first attempt?
e Cambridge win at its 11th attempt?
f Princess Anne win at her 13th attempt?
2. Jingly
Name three 1985 series:
a Dramatising the world of medicine;
b About Fleet Street;
c Which featured "Love" in the title?
d Whose titles exemplified the fashion for female assertiveness.
3. Birthdays
What anniversary was celebrated in 1985 by:
a BBC Television;
b What The Papers Say;
c The Money Programme;
d Survival;
e The Eurovision Song Contest.
4. Clothes
a Who took off his sweater, put on a suit, and abandoned the sofa?
b Who was seen on the news wearing trousers under her frock and sitting on the floor?
c Who assured the interviewer that she wore Marks & Spencer underwear?

7. Quotations

On which programme would you have heard:
a Let's do it to them before they do it to us;
b The grass is too long for our legs;
c You're an intelligent woman and so is your husband;
d I shoot cats. Cat-shoots are good fun. Dogs are more bloody use than women. Well, most of the time . . .
e There's nowt wrong with animals, just bloody people.

THEATRE

1. Fancy Our Meeting
Name the five pieces, all staged in Britain in 1985, where you could have met the following:
a Lenin, Corky and Mayakovsky.
b Toussaint L'Ouverture and Napoleon.

2. Unseasonal Spirits

Name the supernaturally-titled stage works, all seen in 1985, where:
a Dead Elvira returns to earth to harass her former husband and his second wife;
b Young Oswald dies in his mother's arms from an inherited disease with the ery: "Give me the sun!";
c An opportunistic actor sells out to the Third Reich;
d Masked maestro steals songstress to inculcate coloratura in sewer studio;
e Our Lady, St Jude and Mary Magdalene counter a less welcome visitor who appears through a wardrobe to lead the daughter of a West London household astray.

3. The Fault Lies not in our Stars . . .

A number of stellar presences, both established and still rising, illuminated the London theatre in 1985. Name the plays in which the following appeared:
a Jack Lemmon;
b Albert Finney;
c Sir John Mills;
d Faye Dunaway;
e The next James Bond.

4. Clattering the Classics

As usual, the classics were not exempt from the depredations of writers and directors. The year provided both new examples and reminders.

a Which vengeful sorceress was in various productions, seen as a white woman in a black society and an Asian in a white society before changing sex north of the border?
b Which obsessive gravedigger had her story retold as *The Riot Act* by a contemporary poet?
c Northern playwright Henry Livington clapped a classic in the jug at Stratford East. What was the original?
d Which treatment of a Greek myth, produced in wartime Paris, was later accused of being an apology for the occupation?
e According to whose diabolical mechanics did Maggie Smith have a tragic mother's day on stage this year?

5. Birthdays

What anniversary was celebrated in 1985 by:

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c The Money Programme;
d Survival;
e The Eurovision Song Contest.

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e There's nowt wrong with animals, just bloody people.

THEATRE

1. Colourful
a Which film was nominated for 11 Oscars this year and failed to win any of them?
b Which was the first film to reach Britain on video "colorised"?

CINEMA

1. Colourful

Who, on stage, in a ballet:

a Tried to kill herself by hitting her head against a table?

b Was urinated on by a poodle?

6. Forgave her husband for running a young girl?

a Cheated at cards?

b Quarrelled over an Indian boy?

c Had his tights removed by whores?

d Transport of Delight

Who travels:

a On a hospital bed?

b On a gymnasium horse?

c In a carriage decorated with vultures?

d By means of an umbrella blown inside out?

7. Unnatural History

This year the FT dance critics recorded the following matters. In which ballets:

a Was there a score called "Donkey Droppings"?

b A dancer identified in the cast list as Pig?

c Did the entire male cast commit suicide?

d Did the word *shimmy* appear on the set, in Russian?

e Three sailors chew gum?

f The entire cast appear as dolls?

8. Title Deeds

The following quotations are also the titles of novels published this century. Give first the author of the quotation, then the author of the novel.

a After Many A Summer

b Oh how the wheel becomes it!

c That Hideous Strength.

d Dusty Answer.

e All Passion Spent.

f Tender is the Night.

g Bright Day.

h The Garish Day.

9. Glittering Prizes

a Who won the Nobel Prize for literature this year?

b When was the last time a British writer won it?

c Who was the last Swede to win it?

d Who won this year's Prix Goncourt?

e Who was the Smarties Prize?

f Who won it this year?

10. Phillips

Tom Phillips illustrated and transcribed:

a What famous poem?

b His work *A Humument* is based on what novel?

c What does *A Humument* consist of?

d What other art-form has it inspired him to attempt?

MUSIC

1. Organ

a Which string quartet performs in sci-fi garb?

b *Who's After Dark* includes a part for oxygen-bottle?

c Which new opera featured AIDS?

d Who wrote *La maschera nuda*, and where was it revived?

2. All-in-all

Who has been playing:

a All the Cherubini quartets in Cheltenham?

b All the Shostakovich quartets on the South Bank?

c All the Mozart piano concerti in Tokyo?

3. Vocal

a Which straight actor sang "Celeste Aida" in the West End?

b Which television comic sang "Tit Willow" at the Coliseum?

c Which tenor created a fresh Pong at the Royal Opera?

d Which new opera had a chorus of sheep?

ART AND ARCHITECTURE

1. Highs

What was the record sum reached at auction this year for an Impressionist painting?

b What was the painting and who painted it?

c What former railway station was opened as a museum this year?

d What financial structure cost £600m to build and is 52 storeys high?

e What building in a capital city has 900 rooms, 12 miles of corridor and is now for sale?

f This year the Department of the Environment added to the list of buildings of special architectural or historic interest one K1, five K2s, one K3 and one K4, all involving communication. What are they?

2. Starters

Can you identify the opening words of some well-known works of modern fiction?

a Now it is the autumn again; the people are all coming back.

b From the window all that could be seen was a receding area of grey.

c From my Window, the deep solemn massive street, Cellar shops where the lamps burn all day . . .

d One may as well begin with Helen's letters to her sister.

e They made a silly mistake, though," the Professor of History said . . .

f It was the afternoon of my 51st birthday, and I was in bed with my catatonic when Ali announced that the Archbishop had come to see me.

g When she was home from her boarding school I used to see her every day sometimes because their house was right opposite the Town Hall Annex.

3. More Than Kin

a A.S. Byatt has a sister who writes novels. What is the sister's name; the title of the sister's last book to be published; and the title of A.S. Byatt's last novel?

b This year an 80-year-old grandmother and one of her granddaughters both published works of non-fiction.

c Who were they, and what were the titles of their books?

d A nephew published the first volume of life of his uncle, an eminent English poet.

e Names of both, please.

f What famous British writer of mystery stories had a brother-in-law in the same line of business, who also created a legendary character in the annals of

4. Absent friends

Among original-language productions at the Royal Opera, which:

a Had announced two native singers, but opened with only one?

b Opened with one native singer, but ended with none?

c Had a conductor of the right nationality, but no native singers?

5. Bohemian

Whose torso was laughing?

b Who sculpted it?

c Who wrote her biography published this year to accompany what event?

6. Regrets

Who were:

SPECIAL PLACES

FT writers describe their favourite retreats

Slow dhow to Lamu Town



THE VERY special places are often just that bit harder to get to. And, more important, they demand an extra effort: they are inaccessible—hard of access—in other, more complex ways.

Take Lamu, for example. I have been going there for 15 years, and every time I leave I say goodbye to the place forever, accepting that the Beautiful People will shortly take over and all will be ruined. But it hasn't happened. Not quite. Not yet.

Imagine an island just off the Indian Ocean coast, near the Kenya/Somali border. Part of an archipelago created by Africa's least-known great river, the Tana. A small island, about 10 miles by four, part of it mangrove swamp. A small version of Zanzibar.

It is the high point of Swahili civilisation—that rich and obscure culture where Arabia met and fused with Africa hundreds of years ago (and the scholars will argue for ever as to which of the two predominates). The dhows came in from India and from the Gulf on the monsoon, collected their mangrove poles and ivory and seashells (and slaves), and turned round with the wind; the port of Lamu Town is still busy with dhows of every size. Technically this is part of Kenya—but Nairobi and the Kikuyu are a distant irrelevance; this is culturally a different world, hot and sweaty and never a wild animal to be seen.

But it's awkward to get to. In the old days we used to go from Nairobi down to Mombasa or Malindi on the coast, then either by chartered Cessna or an horrific local bus route the length of the coast (hearing that the shifiti bandits hadn't come down from Somalia that day). These days you can fly from Nairobi as well as from Malindi, up to Manda Island and then on to another short boat trip to Lamu proper. The island has no motor transport with the sole exception of the DC's Land Rover: the roads are five feet wide with room only for donkeys and open drains.

There are two different Lamus. There is the town itself with about 5,000 people

THE FAMOUS red deer were proving infuriatingly elusive. So far, staying with two friends for a long weekend on the island of Arran, we had not glimpsed one. And here was Kathleen McLean telling us that she was kept awake each night by a stag luxuriously cropping at the grass outside her bedroom window. Maybe the red deer disdained visitors and reserved their attentions for the islanders.

But there was plenty to occupy us elsewhere. Passing Brodick Castle we saw seals bobbing close to the shore like plump Edwardian gents sans striped bathing costumes. They seemed as amused by us as we were by them. Herons stood elegantly poised on rocks and, further out to sea on a slab of granite, a convocation of cormorants was deep in discussion. All around was a landscape of such beauty and grandeur that it would have wakened the poet in the most doggedly prosaic of souls.

It has been said that Arran is Scotland in miniature. Certainly its mountains, glens, lochs and tumbling burns echo mainland Scotland's most magnificent scenery. A walk through Glen Rosa, for instance, yields vistas of such richness and colours of such glowing subtlety that they would defeat the palette of an Impressionist.

But it is perhaps Arran's compactness and accessibility that makes the island special. About 165 square miles in all, much of its wild interior and inhabited coastline can be explored by a motorist within a single day.

The best way to see the island, however, is on foot.

MY FAVOURITE holiday place for the past few years has been Avignon. We try to arrive there for the beginning of the Festival in July, and take a leisurely couple of days over the journey, staying for our first night near Compiegne, and for our second at Chateauneuf in Burgundy, conveniently near the autoroute. By the afternoon of day three we are driving by the river for several kilometres along the road that will lead us to the walls of the old city.

Now it has just begun to become conscious of the Festival which will soon descend on it with the force of its immemorial enemy, the mistral.

Tiers of seats are in place in the courtyard of the Papal Palace; frantic hammering on the set of the first of several productions to be housed there can be heard. The children's roundabout in the Place des Horloges has begun to twirl, gigantic obscene-looking balloons filled with helium are on

THE DOWNS were another world, for a boy growing up in Sussex. Though only two miles away, they were a place of mystery and power. They rose from the Weald like the Rockies out of the Great Plains, their huge bold shape and astonishing cream walls standing against the sky. Yet they are only low chalk hills.

I first went up to this place apart for picnics. That meant a tremulous drive in an Austin 8 up the narrow sunken lane, traditionally used by smugglers, that led to Ditchling Beacon. There would be a short walk, and a blast of fresh air off the Channel. Once, as we sat on the scarp, I let go of the cake. It rolled and rolled, into a pond at the bottom. Another time I wore through my shorts sliding down the old chalk cliff.

Walks alone came later, my first archaeological dig, and looking for hints, flowers and mushrooms. Later still I took friends to share the power of the place. I have even scattered ashes on the Downs.

The stretch of the South Downs I know best, from

underfoot. North you look down on the mid-Sussex you have just left; the other way lies raffish Brighton. They all feel far away. Along the ridge way you may go east to Lewes or west to Clayton Windmill and Wolstonbury. At Lewes the Ouse cuts the Downs, and just beyond Wolstonbury, the A23 does.

They are not high hills, but they are the highest around.

Building stopped at the foot of the Downs where Saxon villages nestled in the lea, built in the glistening grey knapped flint peculiar to the place. The Downs today are mostly ploughed on top, but the north scarps facing the Weald are often too steep for ploughing. Cattle and sheep graze safely.

It is marvellous for walking. You could do the stretch very quickly if that was the aim. It is large country of broad sweeping valleys and whale-like hills and ridges. The weather rules up here. There is always wind in the nostrils. Clouds race by.

Gerald Cadogan

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It is marvellous for walking. You could do the stretch very quickly if that was the aim. It is large country of broad sweeping valleys and whale-like hills and ridges. The weather rules up here. There is always wind in the nostrils. Clouds race by.

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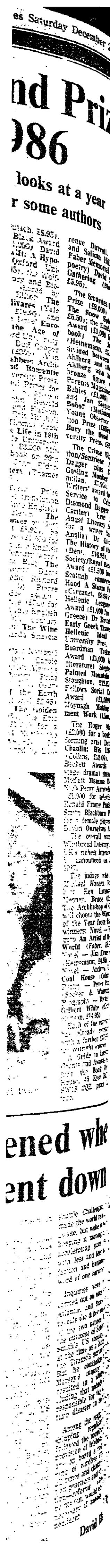
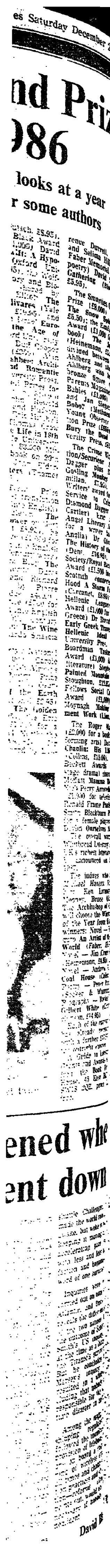
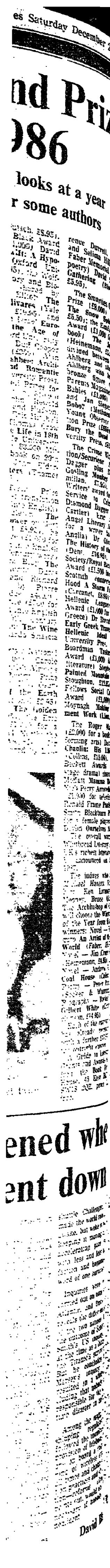
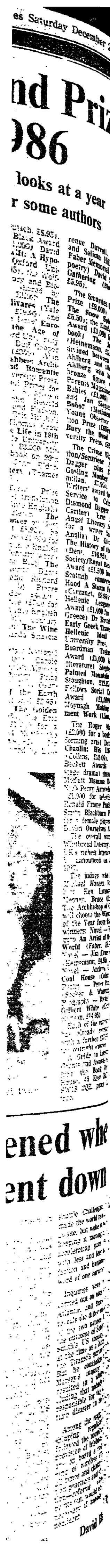
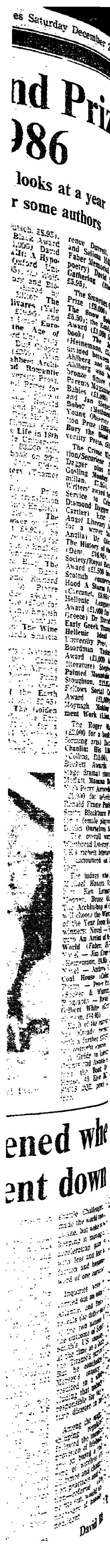
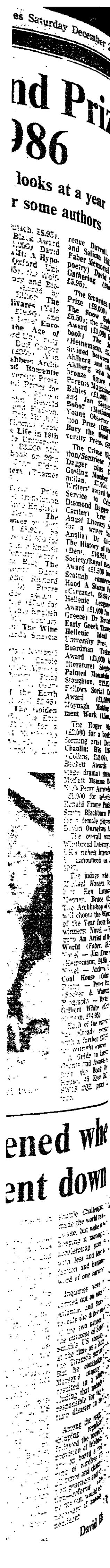
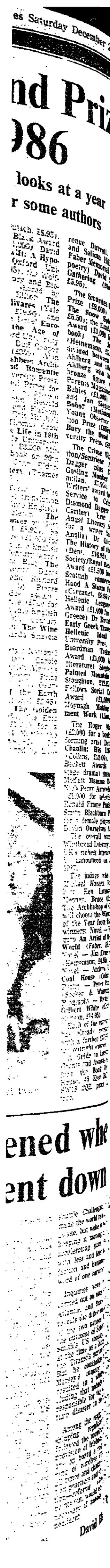
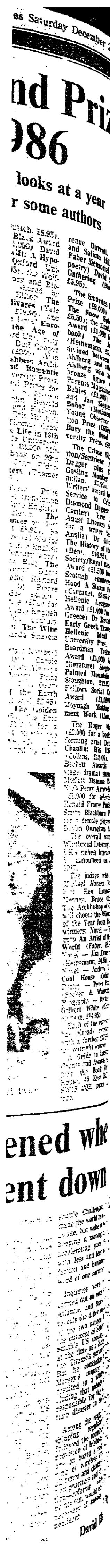
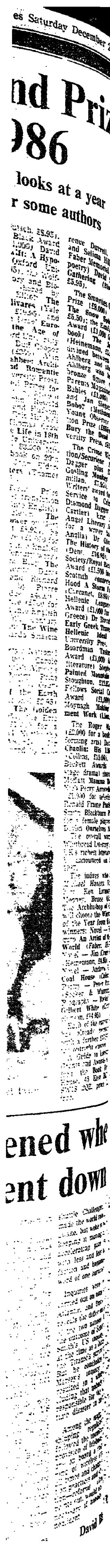
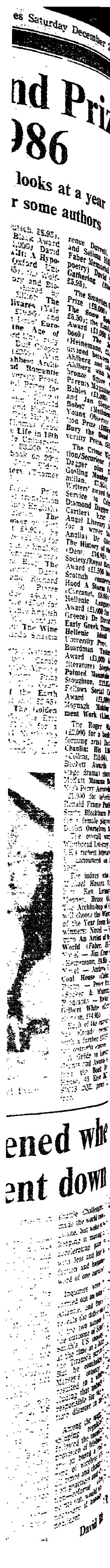
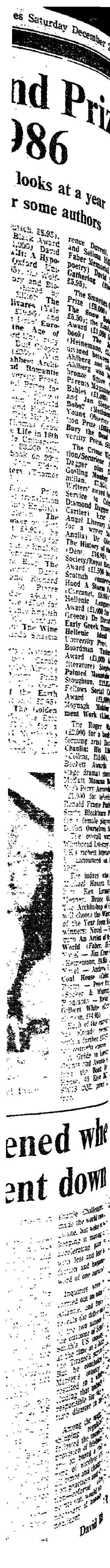
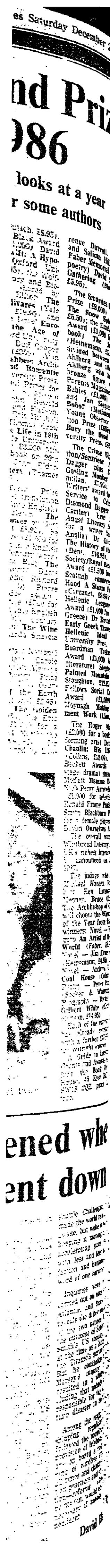
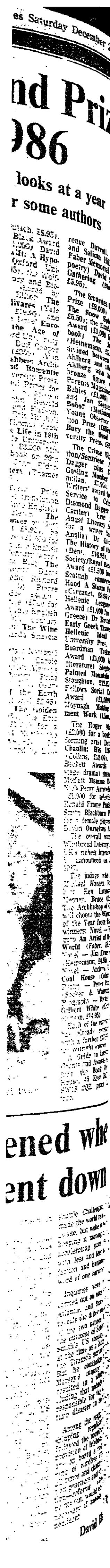
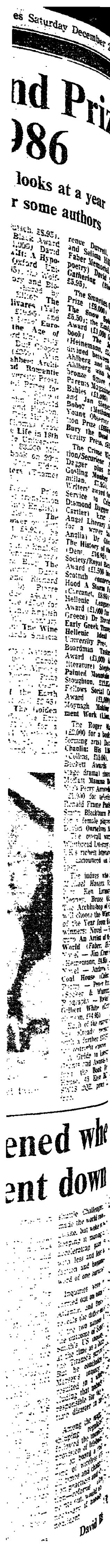
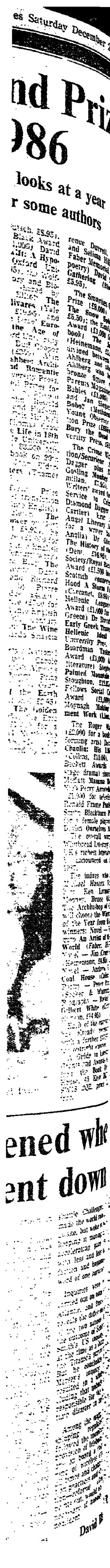
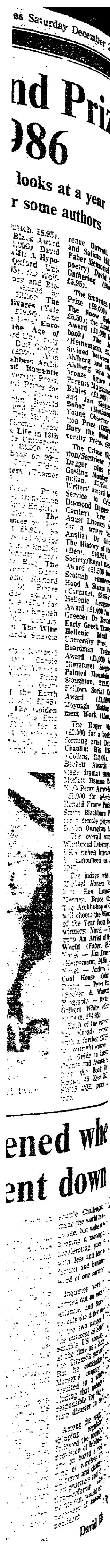
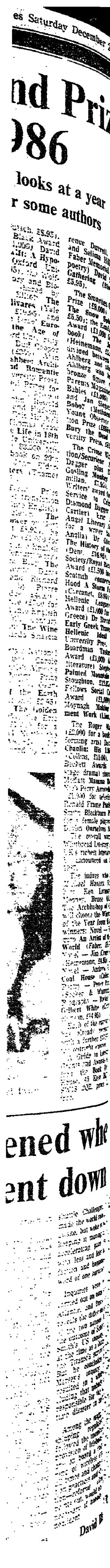
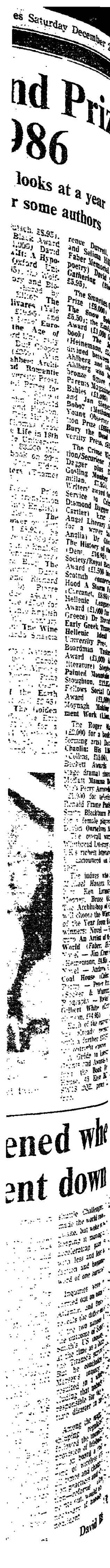
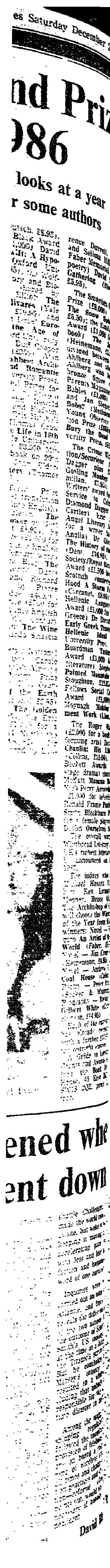
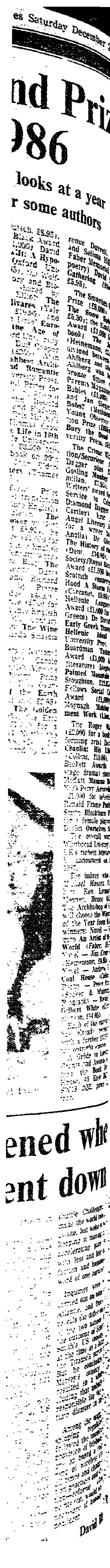
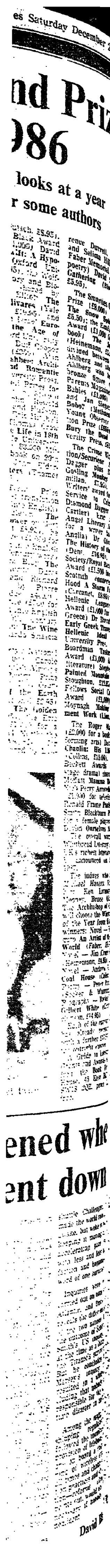
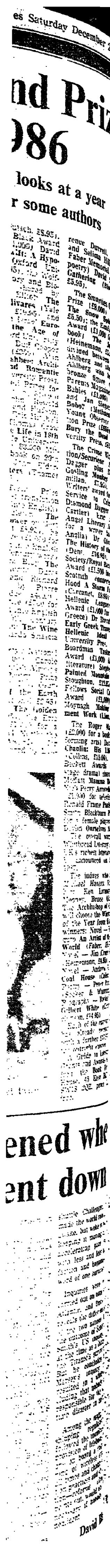
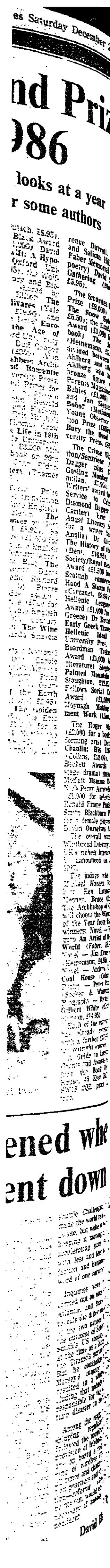
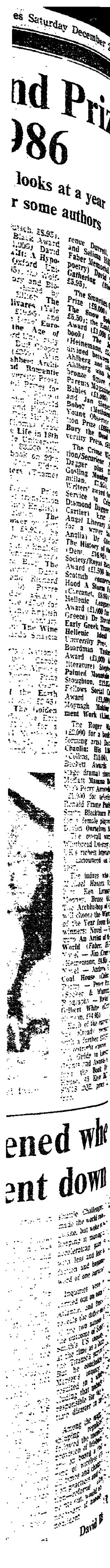
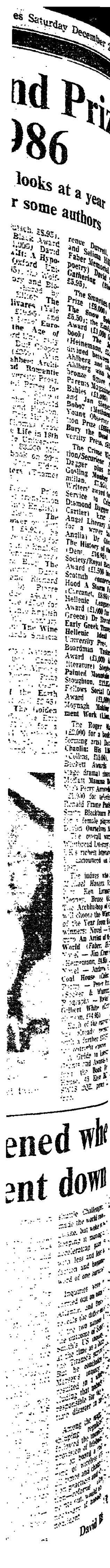
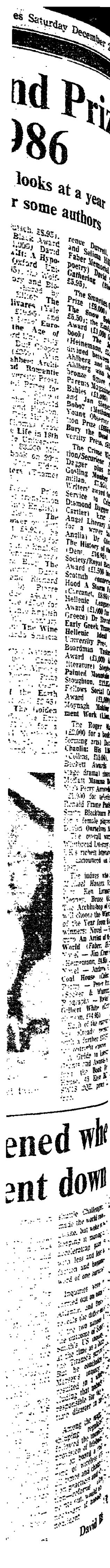
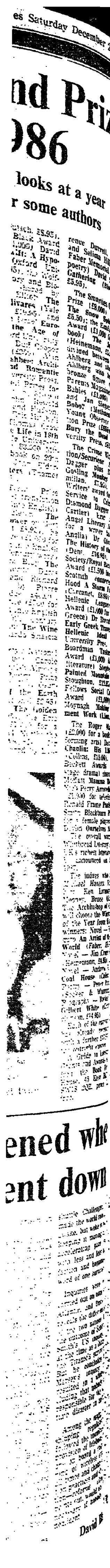
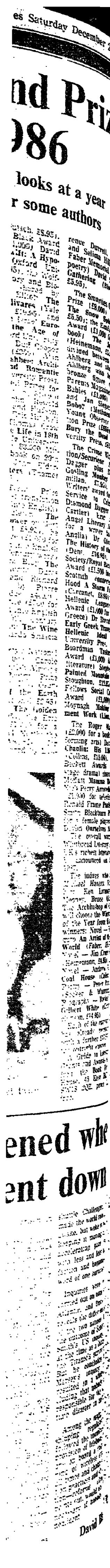
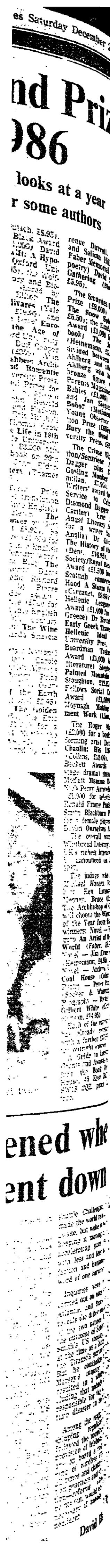
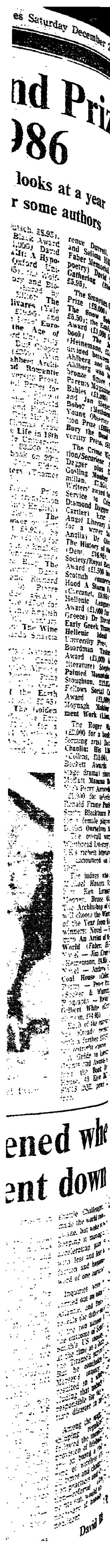
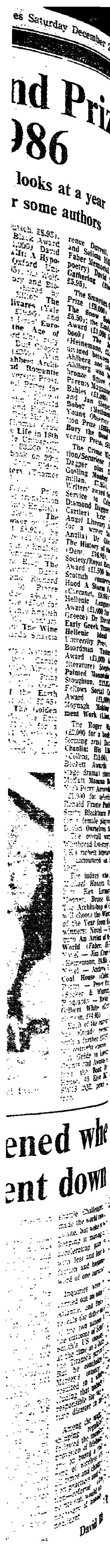
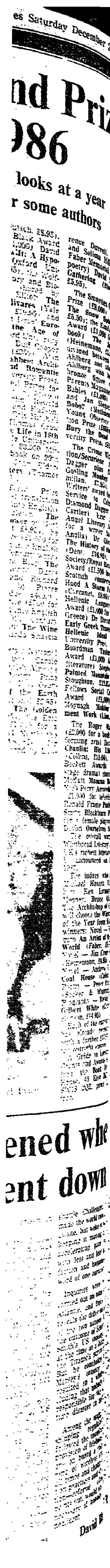
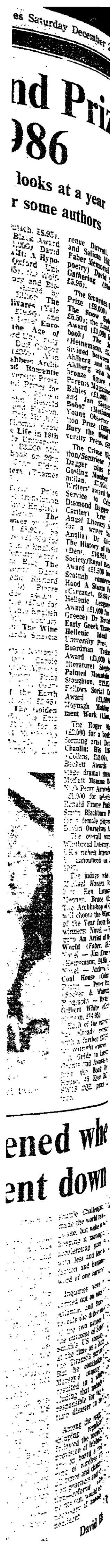
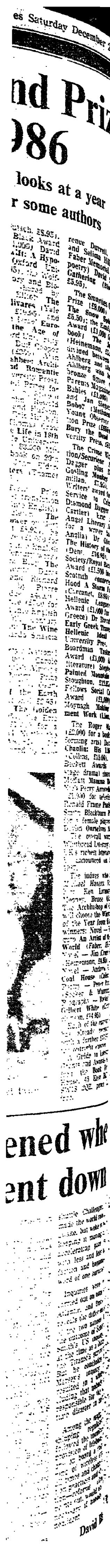
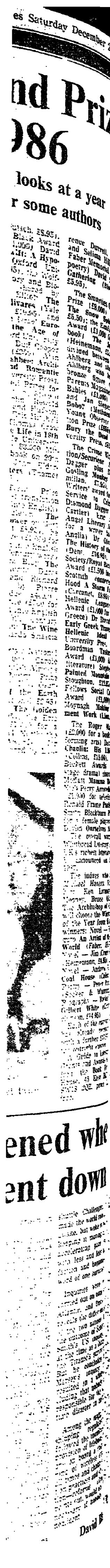
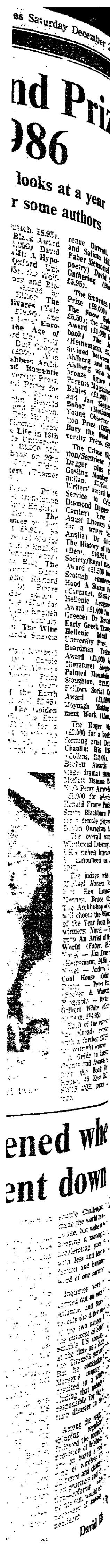
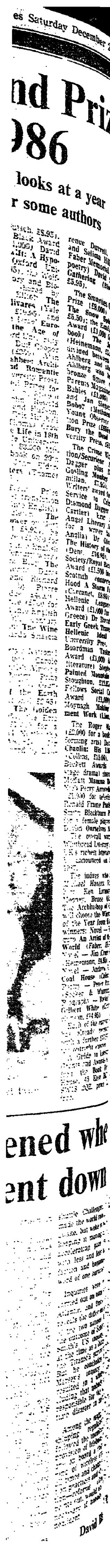
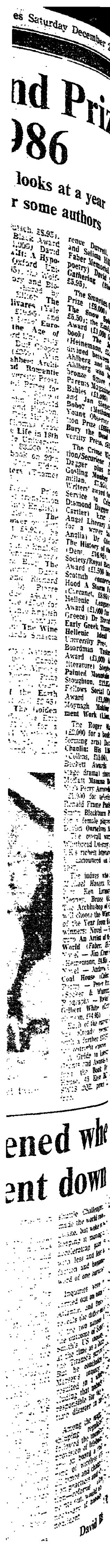
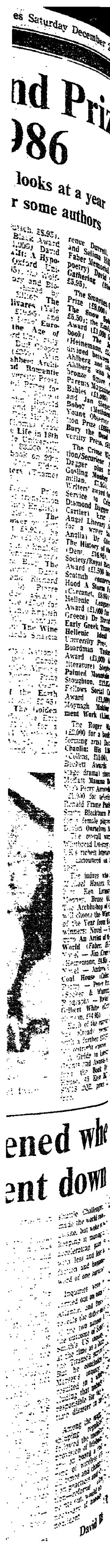
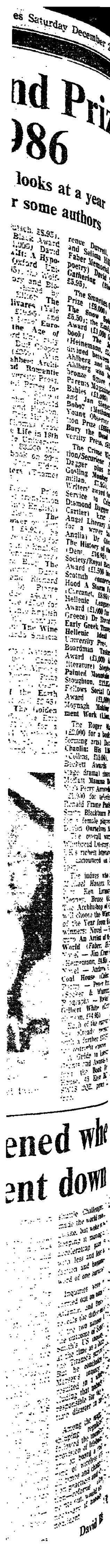
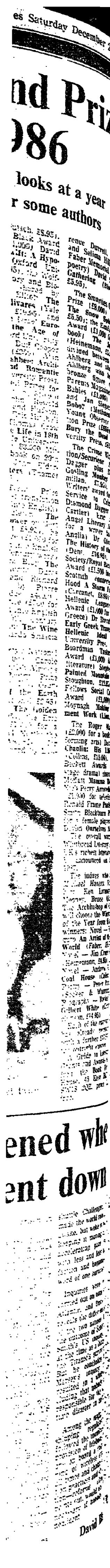
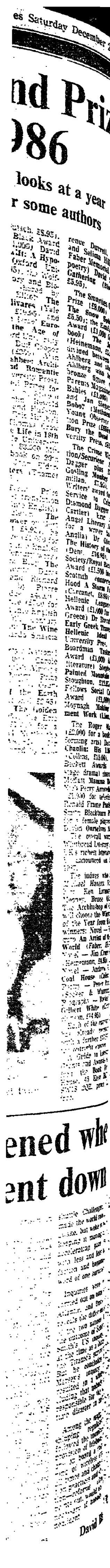
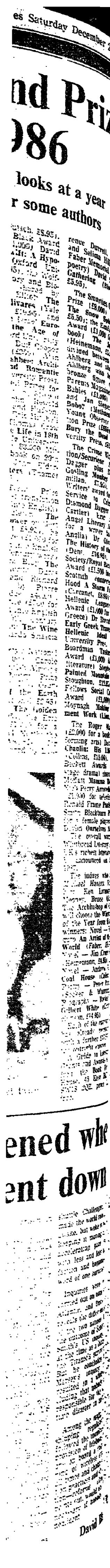
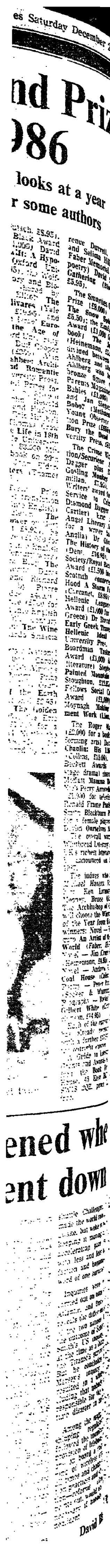
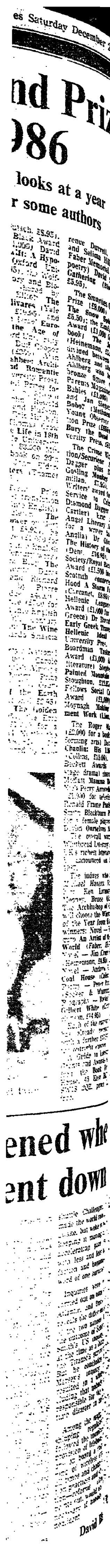
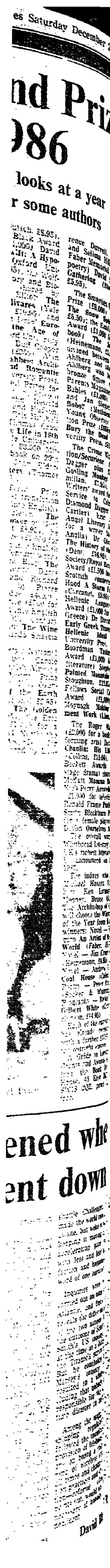
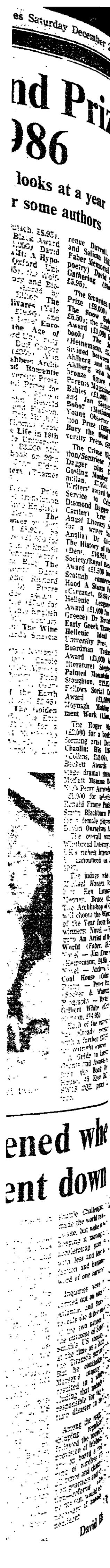
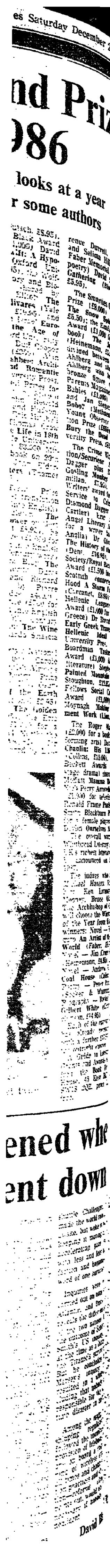
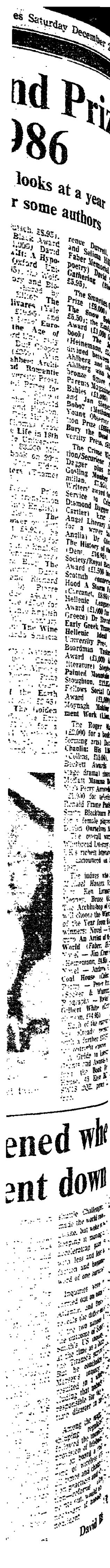
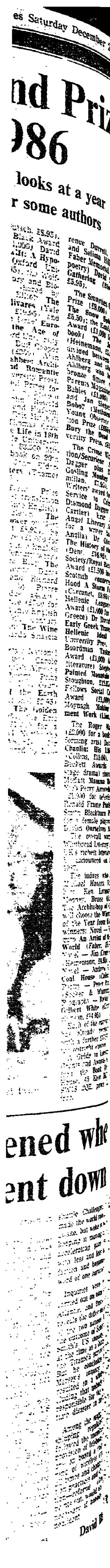
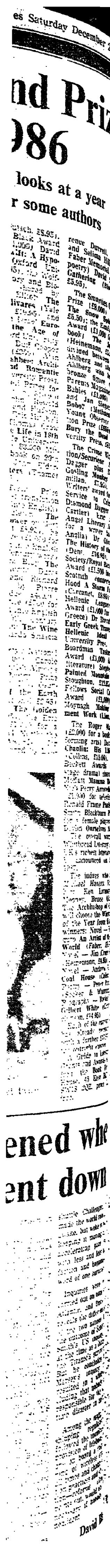
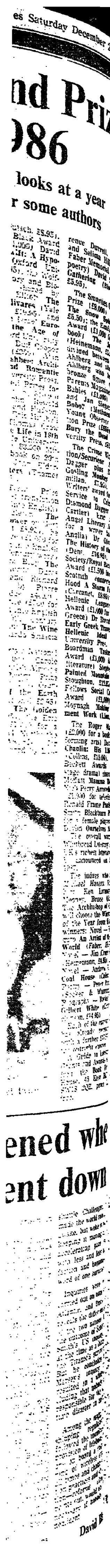
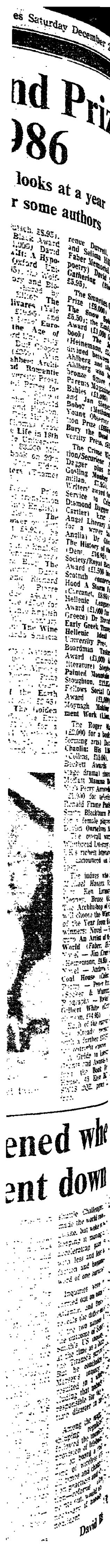
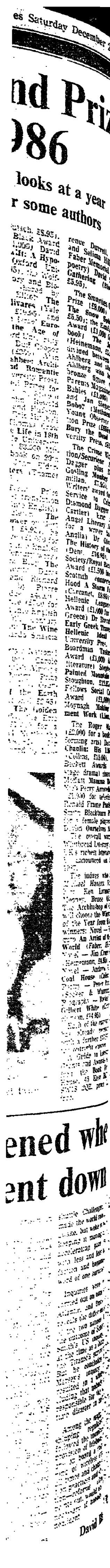
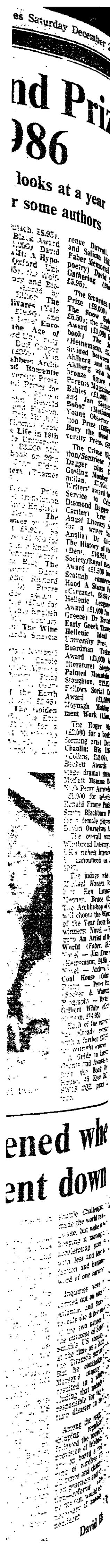
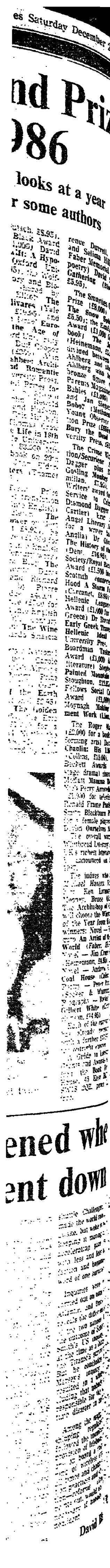
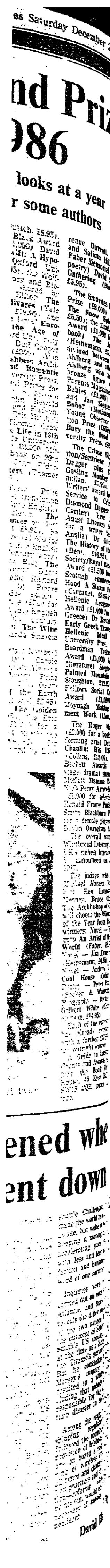
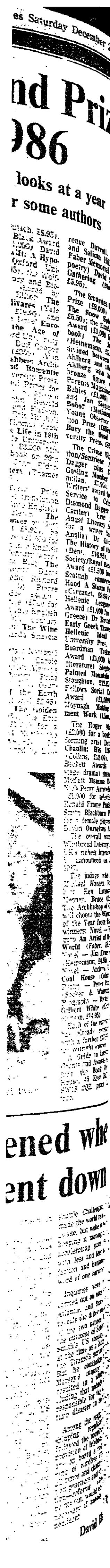
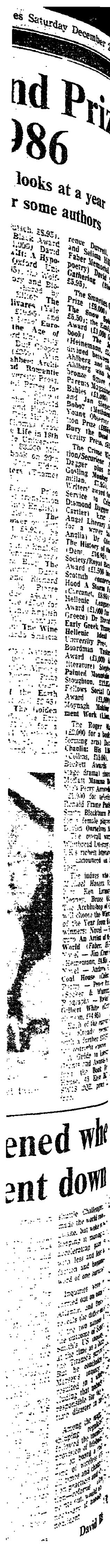
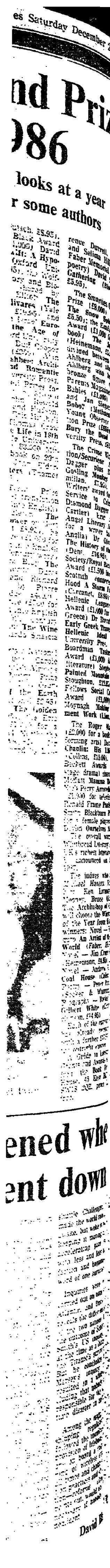
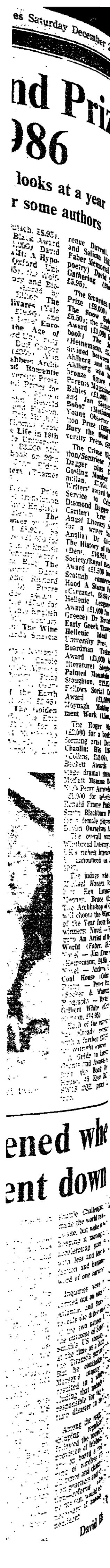
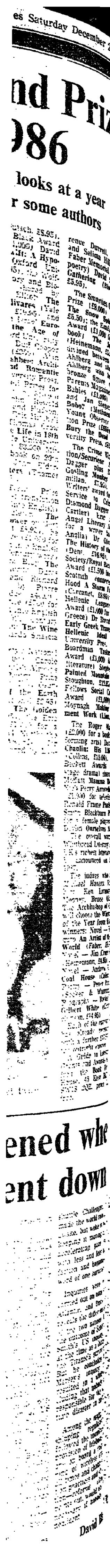
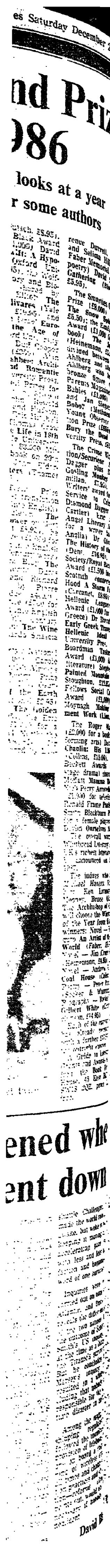
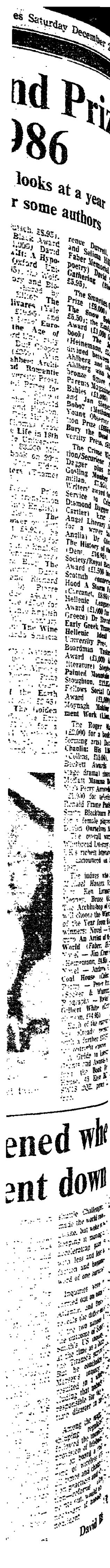
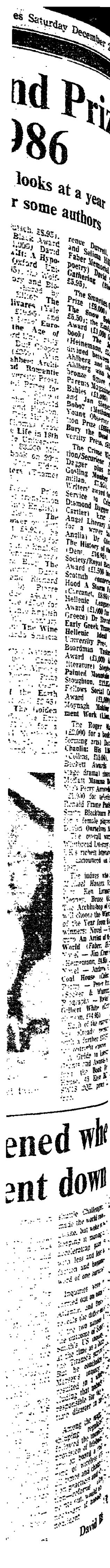
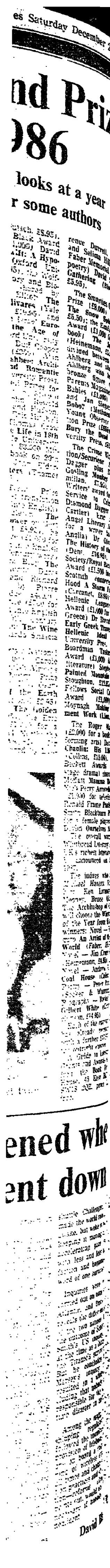
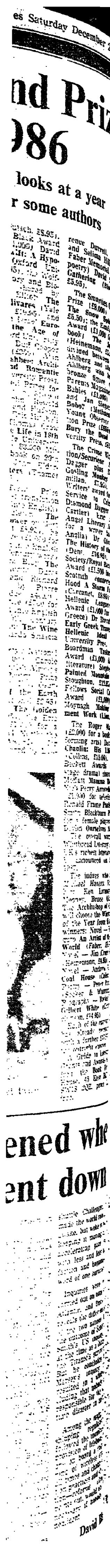
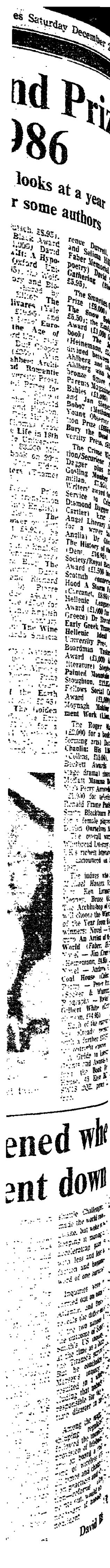
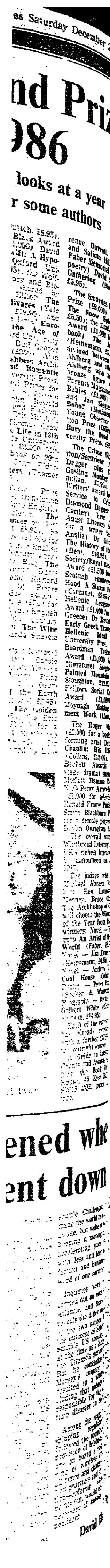
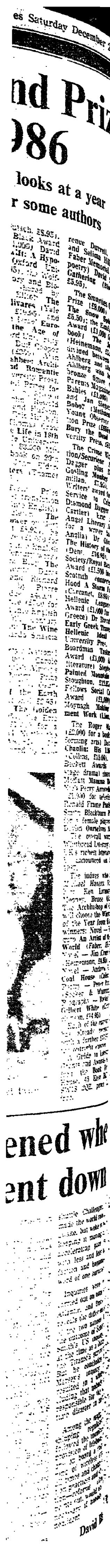
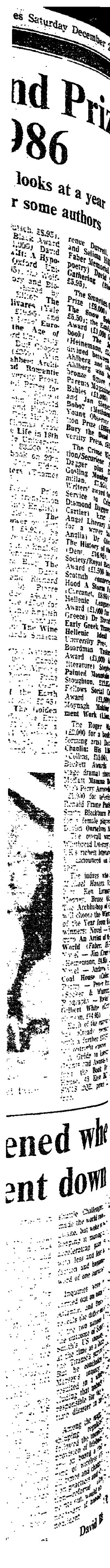
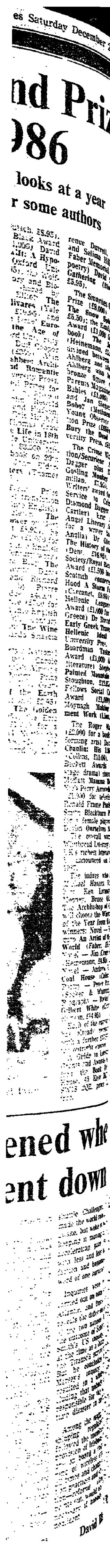
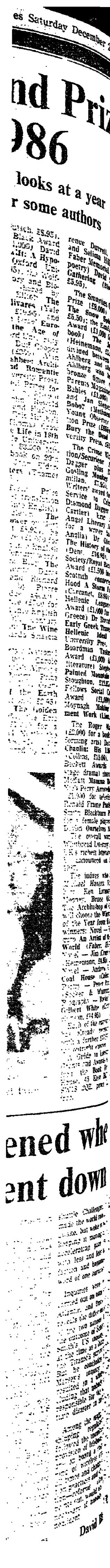
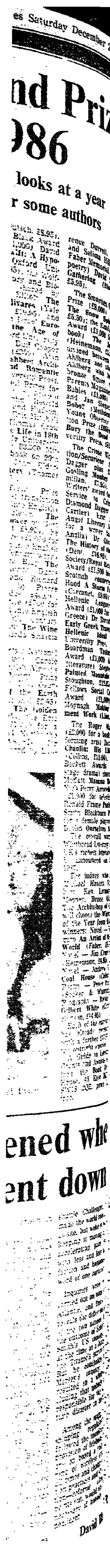
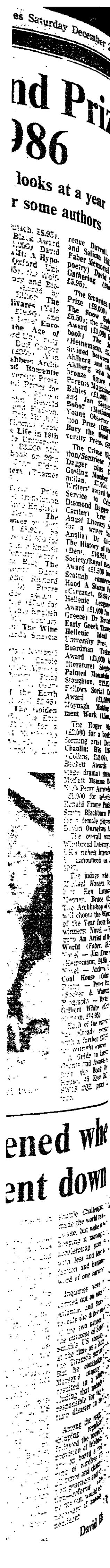
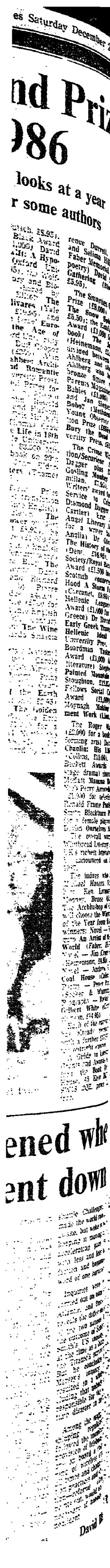
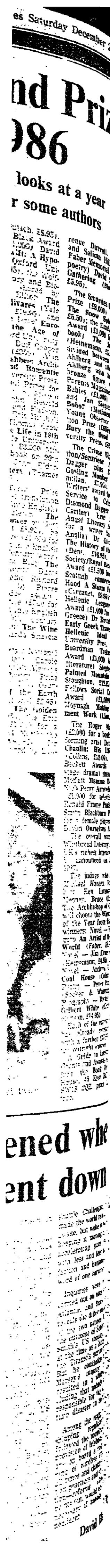
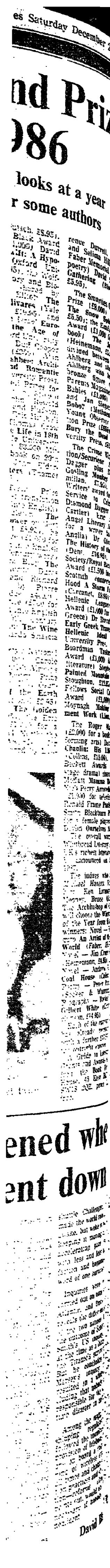
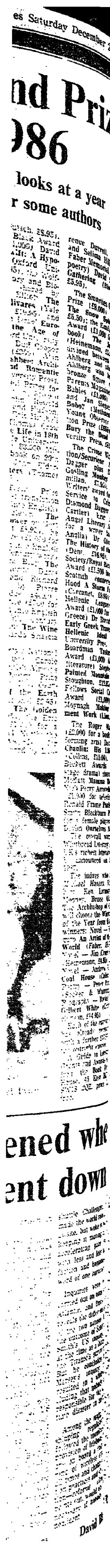
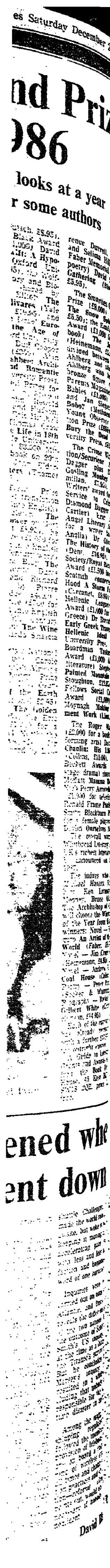
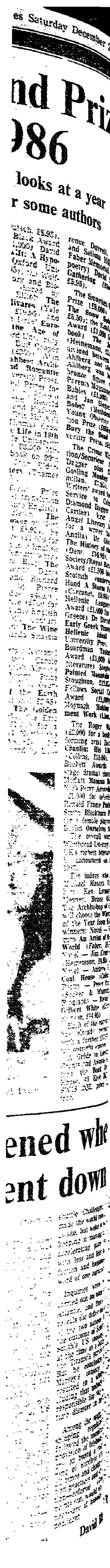
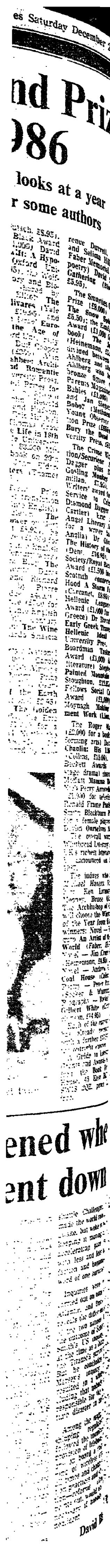
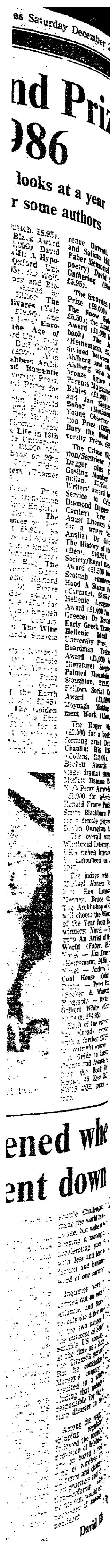
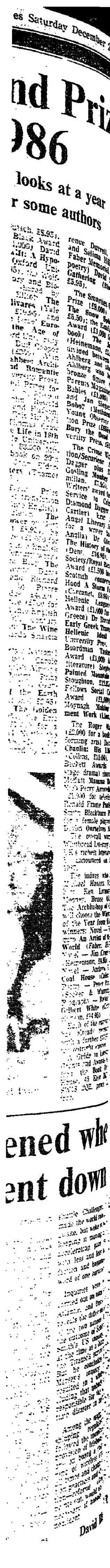
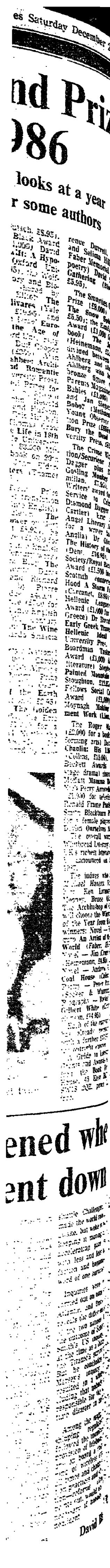
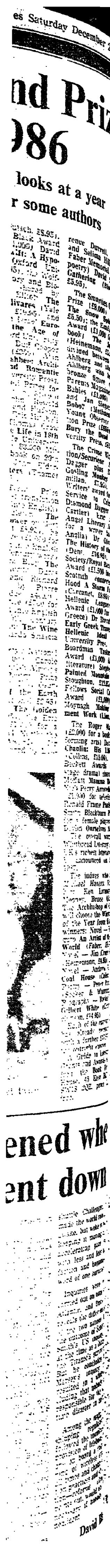
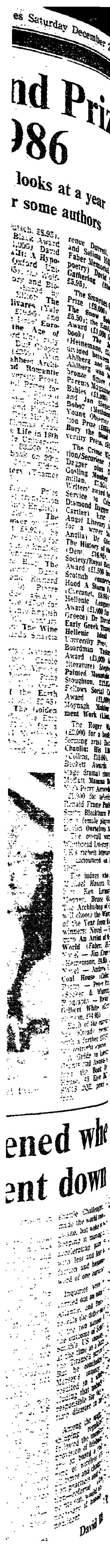
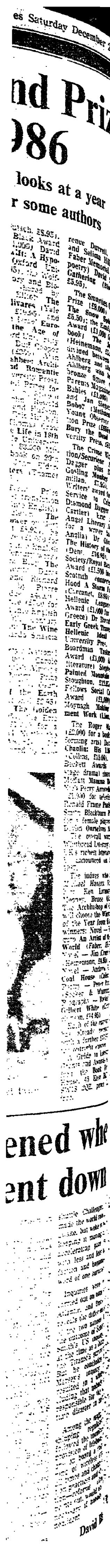
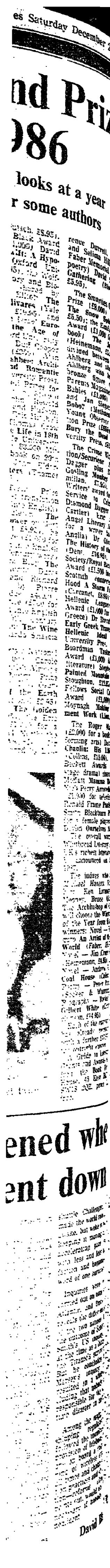
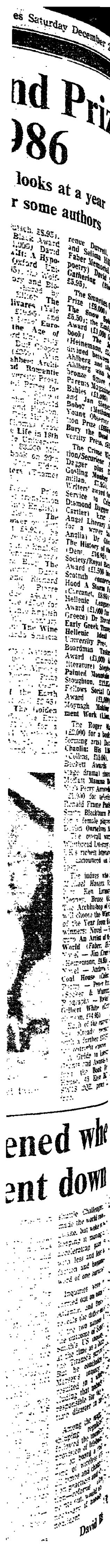
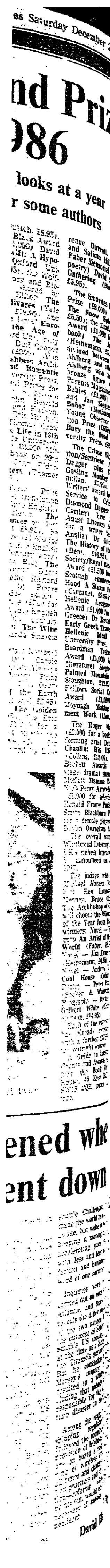
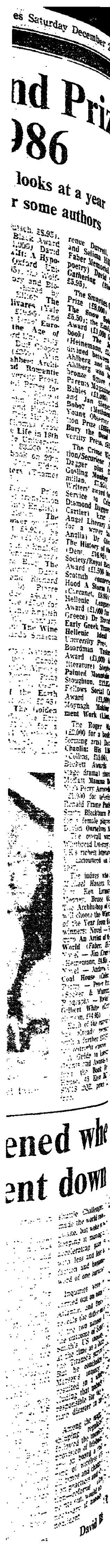
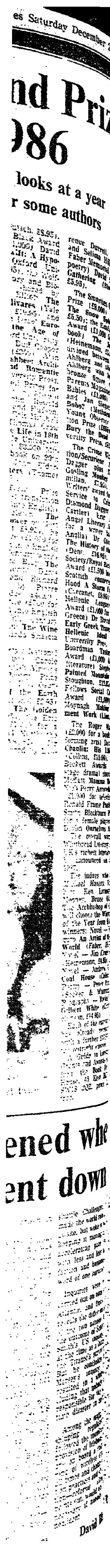
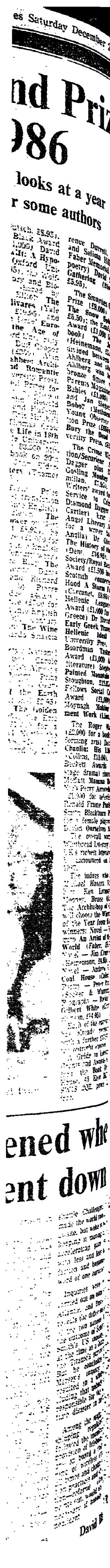
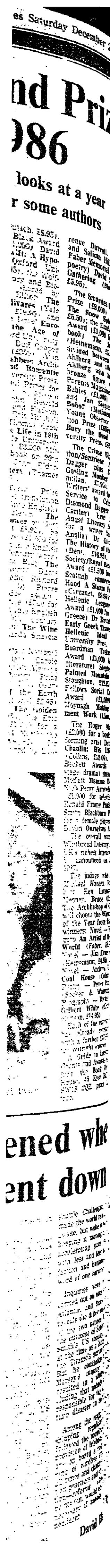
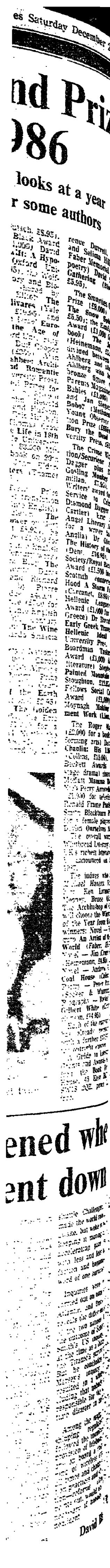
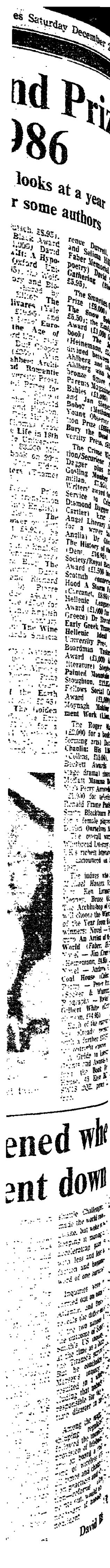
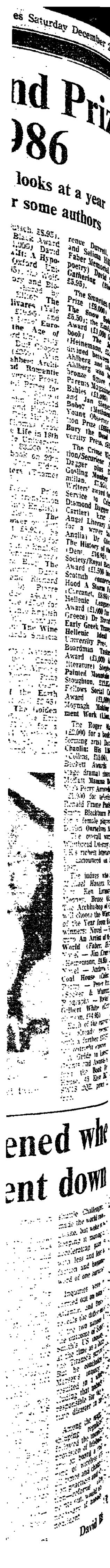
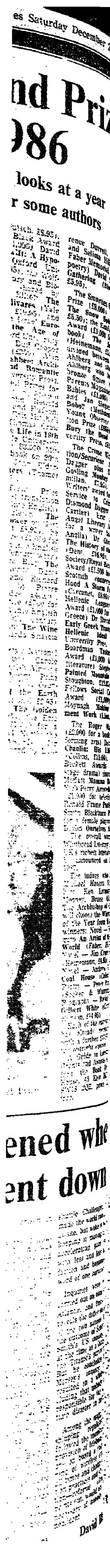
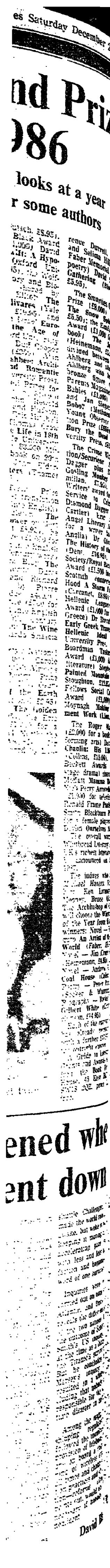
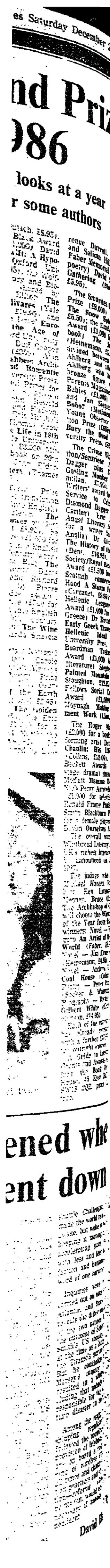
They are not high hills, but they are the highest around.

Building stopped at the foot of the Downs where Saxon villages nestled in the lea, built in the glistening grey knapped flint peculiar to the place. The Downs today are mostly ploughed on top, but the north scarps facing the Weald are often too steep for ploughing. Cattle and sheep graze safely.

It is marvellous for walking. You could do the stretch very quickly if that was the aim. It is large country of broad sweeping valleys and whale-like hills and ridges. The weather rules up here. There is always wind in the nostrils. Clouds race by.

Gerald Cadogan

<p



Philip Coggan reviews a sporting year in which British patriotism took a beating

In memory of Maradona—and England

IN THE days of the British Empire, God was assumed to be on our side. Now the empire has gone and the hand of God is at least according to Diego Maradona—has been co-opted by the Argentinians. There is, it seems, a corner of a foreign field where someone is forever beating England.

Many Englishmen, one suspects, would have swapped the Falklands—sheep, penguins and

all—for a re-run of the 1986 World Cup soccer quarter-final in Mexico and an alert referee. But the competition, even before England's exit to the world's greatest volleyball player, was a sombre occasion for British patriots.

Scotland and Northern Ireland seemed to have expanded their best efforts in qualifying: neither had much idea how to score against international

defences. Nor, at first, did England, whose early teams seemed to have been picked by Bobby Robson from the cast of *Zombos: Dawn of the Dead*. Indeed that first round of matches had the entertainment value of a Eurovision Song Contest repeat.

Eventually, England discovered that in Lineker they had that essential for scoring at the highest level—a striker

with pace—and that his speed was best used by playing the ball in front of him, not by clogging the ball miles in the air in the hope it might land on his head. The potential briefly realised in that game against Poland and Paraguay served only to increase frustration caused by Maradona's handball.

In the end, Maradona's real

dribbling skills ensured that

best team won; though it would have been nice to see the Argentinians prove it against the Danes, Brazilians or Russians rather than the dogged Germans.

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The game's most impressive playing achievement—Liverpool's League-FIFA Cup double—could not escape the shadow of the Heysel tragedy and the continuing ban from Europe. Those who continue to hope for a soccer revival might care to reflect on two of this year's Wembley crowds—35,000 for England v Yugoslavia against 80,000 for the Dallas Cowboys v the Chicago Bears.

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Sheikhs too have their own priorities. After the incident of the sheikh who took half the food we have become more adept at delivering it to those whose priorities are in line with ours. Almost all the food this time seems to have got through to the hungry. But there are still many complaints. When I return to Tegwilo one man is particularly pressing. He has a big head with wide-set eyes like a frog and he lopes. He follows me round Tegwilo, loping after the Land Rover. He represents, he says, a tribe that received no food. It transpires that the tribe he refers to does not live in Lights but in a village several kilometres away. He does not see why he cannot collect food from Lights. He can arrange transport to his village, he says.

"But you have already had your food." I tell him, checking the list. He denies that they received it. I tell him we will try to send someone to check.

I call on Malik. He is very cordial. I tell him about the loping man. He laughs.

"Ha! This one! He is in my office every day. I sent him to you."

"Ah."

"Now, when they complain to me I tell them to go to you and you will do a survey."

"Insha'allah," I say—if Allah wills it.

"While they are here we have to feed them."

Malik suggests a compromise. "Shall we half to the relief committee for the town and half to Lights?"

He will ensure that the relief committee keeps a record of where the food goes for Harry's report. It feels like the moment to make a deal. Harry accepts. The allocation is complete. We can go. As we stand Malik says: "But this must be the last distribution."

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I have awkward news for him. More, rather than less, food is going to Lights. I point out that Harry is not involved. He has not gone back on his agreement. The food is from our own agency's stocks. We have gone over Malik's head and explained to the Provincial Commissioner that Lights is only getting half the food it needs. He is happy that we

Continued from Page 1

Tegwilo afternoon

people from the country living in the town because of the drought then OK we might have something, but how can we identify such people?"

"We have a town relief committee. We know who are the needy. You consign the food to the committee and we will see it is distributed—I am the chairman!"

Harry is in a corner. "I have to tell you Malik that I see a problem with your suggestion—the monitoring. When we send food to a village we send a monitor with it and he sees it is handed to the right people, the people Robert's teams have identified. If there is a problem, one of Robert's teams goes back to the village and checks. Food handed to the committee cannot be followed through like that, I cannot put my hand on my heart and report back to my bosses in Rome that I know that every bag of wheat went to a famine victim."

Deadlock. One group of people is being uncharacteristically overlooked at this stage in the discussion. I take advantage of the silence to present its case. "There are famine victims living near the town, and they are the people of Lights. The food available is just enough to feed them for a month. I reckon, I don't think we can avoid doing so. While agreeing with the District Commissioner that there is no future for them here, I don't think we can starve them out."

Malik makes a dismissive gesture. "They won't stay. Very soon it is the harvest season. They know that. What use are those houses in a haboob? The haboobs will make them leave."

A haboob is a dust storm. Tegwilo is notorious for its haboobs. A good haboob will stop the town dead—literally for the occasional child who goes outside and is never seen again. Drivers carry extra jerrycans of water. Visibility can go down to a few metres and you just have

to stop and sit it out. The flying sandstorms sometimes keeps up for days. Those lucky enough to have houses with windows shut them tight in spite of the heat and sit indoors.

The houses of Lights are as dustproof as a sieve. The haboob season is just starting. The sky today is white like semolina with suspended dust. The day that we surveyed Lights was similar. Dust on my tongue and scratching between pen and paper. A circle of ragged men quietly insisting that they would not leave and making jokes about the haboobs.

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send a consignment to make up the difference. Malik seems uninterested. He is impatient for me to finish what I have to say. He doesn't want to discuss it. Perhaps because it is a loss of face for him.

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